The Journal of Social, Political and Economic Studies

Fall, 2003 Vol. 28, No. 3

Reforming Pakistan's Educational System: The Challenge of the Madrassas
Robert Looney

Defense Expenditure and Economic Growth in the SAARC Countries
M. Kabir Hassan, M. Waheeduzzaman and Aminur Rahman

Management Turnover and Under-Investment in R&D: An Agency Theory Explanation for Under-Investment in Research and Development in some Corporations
Robert S. Graber

Understanding America: The Martin Luther King Myth
Dwight D. Murphey

Feminism in the Postmodernist Age
A. Lanre-Abbas Bolatito

Book Reviews

The Council for Social and Economic Studies

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Journal of Social, Political and Economic Studies is a refereed journal published quarterly by The Council for Social and Economic Studies. Subscriptions, manuscripts for submission to the editorial board, and all correspondence should be addressed to:

The General Editor,
P.O. Box 34070, N.W.
Washington D.C., 20043, USA.

Telephone (202) 371-2700
Fax (202) 371-1523
E-mail SOCECON@AOL.COM

Formerly known as *The Journal of Social and Political Affairs*, the subscription rate is $94.00 per annum for libraries and institutions, $45.00 p.a. for faculty members, students and other private individuals. Reduced three-year subscriptions are available at a cost of $280.00 for libraries. For mailing addresses outside the USA please add $12.00 per annum. Mastercard/Visa accepted.

The attention of readers is also drawn to the valuable Monograph Series (ISSN 0895-724X) published in association with the Journal. Members of the academic community and other qualified individuals are invited to consult the General Editor at the above address concerning articles which they may wish to submit for possible publication.

ISSN 0193-5941

Copyright © 2003 by The Council for Social & Economic Studies

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Journal of SOCIAL, POLITICAL AND ECONOMIC STUDIES

Roger Pearson
General Editor
Dwight D. Murphey
Associate Editor

Fall, 2003 Vol. 28, No. 3

Contents

Reforming Pakistan's Educational System: The Challenge of the Madrassas
Robert Looney 257

Defense Expenditure and Economic Growth in the SAARC Countries
M. Kabir Hassan, M. Waheeduzzaman and Aminur Rahman 275

Management Turnover and Under-Investment in R&D: An Agency Theory Explanation for Under-Investment in Research and Development in some Corporations
Robert S. Graber 295

Understanding America: The Martin Luther King Myth
Dwight D. Murphey 325

Feminism in the Postmodernist Age
A. Lanre-Abbas Bolatito 355

Book Reviews:
What Went Wrong? The Clash Between Islam and Modernity in the Middle East; Economics as an Evolutionary Science: From Utility to Fitness 369

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Editorial Board

General Editor

Roger Pearson
Council for Social and Economic Studies
Washington, D.C.

Associate Editor

Dwight D. Murphey
The Wichita State University

Advisory Committee

James T. Bennett
George Mason University

Stephen R. Bowers
James Madison University

Gary Bullert
University of Seattle

F. McA. Clifford-Vaughan
University of Natal

Sam. S. Crutchfield, Jr.
Washington, D.C.

Daniel Ellegiers
University of Brussels

Robert E. Gilbert
Northeastern University, Boston

George A. Kourvetaris
Northern Illinois University

Maxwell A. Miller
Mountain Sts. Legal Foundation

Edward M. Miller
University of New Orleans

Robert C. Richardson, III
Washington, D.C.

Alan Ned Sabrosky
Rhodes College, Memphis

Joseph Wayne Smith
University of Adelaide

Robert Schuettinger
Yule University

Oleg Zinam
University of Cincinnati

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Reforming Pakistan's Educational System: The Challenge of the Madrassas

Robert Looney[1]
Naval Postgraduate School, Monterey, California

The author examines the history and functioning of the Madrassa school system in Pakistan, which he sees as a fount of Islamic fundamentalism in that country, and a potential source of recruits for militant Islamic extremism.

Key Words: Pakistan, education, Madrassa schools, Islamic fundamentalism, Wahabiism, Jihad.

Introduction

The field of development economics has, over the years, produced a number of general principles to guide countries in their efforts at improving the lot of the average citizen. Many of these take the form of a vicious cycle, with perhaps the most pervasive one being that poverty causes illiteracy and illiteracy causes poverty. No country today better exemplifies this cycle than Pakistan. In fact, Pakistan remains a country where most education plans and policies have failed to make any significant contribution to increase literacy rates, improve employment opportunities, and enhance quality of life for the poor[2]. In turn, the country's poverty and underdevelopment has made it difficult to mobilize the funds needed to significantly upgrade the nation's educational system.

As a result, poverty is an increasing problem for the country. A recent World Bank Report[3] notes that while the educated and well-off urban populations in Pakistan have standards of living similar to their counterparts in other countries of like income range, the urban poor and most of the rural population are being left behind. While poverty has always been a major problem facing the country, its increase is a recent phenomenon. More troubling, the incidence of poverty may even be

---

[1] Correspondence to: Dr Robert Looney, Professor, Naval Postgraduate School, Monterey, CA 93943, E-mail: relooney@nps.navy.mil

[2] Andleem Abbas, The Human and Social Capital Deficit," *The News International* December 1, 2002

[3] *Annual Report 2003* (Washington: World Bank, 2003).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

increasing – rates which had fallen substantially in the 1980s and early 1990s started to rise again towards the end of the decade. Currently around 33 percent of the country's population can be classified as poor. More importantly, differences in *per capita* income across regions have persisted or widened.

Pakistan's fight against poverty is complicated by two main factors: (a) high population rate of growth – roughly 2.4 percent per annum; and (b) limited resources to devote to education. Both of these factors have resulted in the inability of the Government's efforts at expanding educational opportunities to keep pace with the demographic development. Only a very small proportion, around 2% of Pakistan's GNP goes to the education sector. This is considerably below the minimum of 4.5 per cent called for by UNESCO. School attendance and literacy rates continue to be among the lowest in the world. Although roughly 75 per cent of school-age children go to primary school, only 25 per cent obtain a completion certificate. Pakistan's literacy rate, is near the bottom – 142nd place among 167 states.

Given the Government's dire financial straits, the recent growth of private schools might seem to be a blessing. Unfortunately this is not entirely the case. Secular private schools, while producing well qualified graduates[4], can not accommodate the poorer segments of society. On the other hand ever growing number of Koran schools, which are absorbing an increasing number of children from the poorest sections of the population, limit themselves to imparting the teachings of the Koran and, in some cases, tend towards radical Islamic indoctrination. For this reason, Pakistan's Madrassa system of Islamic education has come under intense scrutiny, particularly in the wake of the attacks in the United States on September 11, 2001.

The debate over the Madrassas evokes images of jihad, warfare training, terrorism and an archaic system of education. Most of these perceptions are a result of generalizations and oversimplification of a complex phenomenon. The dilemma is that many Madrassa indeed play a role in violence and conflict. However, many others have a key place in

[4] Zafar Mueen Nasir, "Do Private Schools Produce More Productive Workers?" *The Pakistan Development Review* 38:4 Part II (Winter 1999), pp.937-952.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Pakistan's religious and social life.[5]

The country's future appears to be at a turning point – will Pakistan make the commitment to education necessary to eradicate poverty and prepare the country to compete in an integrated world economy or, will the majority in the country remain mired in poverty and despair? – easy prey to radical groups. Will the country have the will to channel the Madrassas away from violence and conflict and towards a more productive role in the country's economy and society? For his part, President Musharraf has emphasized the theme that "Pakistan is a moderate Muslim country." He has spoken of his country's "greater jihad against illiteracy, poverty, and hunger," and enthusiastically detailed his hopes for reshaping his country's crumbling educational system and reforming its controversial religious schools.

The sections below examine the country's educational system, with particular emphasis on the Madrassa. How does this system operate? What are the system's main limitations? What reforms is the Pakistani government currently undertaking to reorient the seminaries to serve the country as a whole? What actions characterize these reforms as distinct from earlier attempts? What is the nature and extent of opposition to them? What are the main implications for the international community in assisting the country's efforts at educating its population?

The Madrassa System

Historically Pakistan's religious schools, or Madrassas were founded as centers of learning for the next generation of Islamic scholars and clerics. As Singer[6] notes, however, during the 1980s the Madrassa system changed significantly. First, as part of its Islamization policy the Zia regime stepped up funding for the schools. Funds were dispersed at the local level to institutions deemed worthy of support by religious leaders, creating new incentives for opening religious schools. At the same time,

---

[5] *Pakistan: Madrassahs, Extremism and the Military* (Geneva: International Crisis Group, July 29, 2003), p,1

[6] P.W. Singer, *Pakistan's Madrassahs: Ensuring a System of Education Not Jihad* (Washington: Brookings Institution, 2002):
http://www.brook.edu/dybdocroot/views/papers/singer/20020103.htm

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the war in Afghanistan produced millions of refugees and the radicalism of a jihad movement[7].

> It all started under the patronage of the United States in the wake of the Soviet occupation of Kabul. The then U.S. president, Jimmy Carter established a 500-million dollar fund for preparing mujahideen to fight against the occupying Soviet forces. Later on, four billion dollars were provided for this purpose and the project was given the title of "Operation Cyclone." It primarily aimed at promoting jehadi culture in Pakistan. Establishment of Islamic seminaries was an integral part of it. The results have been astonishing: the number of traditional religious schools in Pakistan rocketed from 700 in 1980 to 20,000 in 2000. The number of religious parties has also unusually grown. There were only 30 such parties in the country in 1979. Now we are burdened with 237 of them[8].

Today, the schools are funded both by private donations from Middle Eastern countries and by the "zakat," a 2.5 percent tax collected by the Pakistani government from the bank accounts of Sunni Muslims once a year. The tax results in millions of dollars each year being directed to the schools. Foreign donations come mainly from rich individuals and Islamic charities in Saudi Arabia and the Gulf States. As a result countries like Saudi Arabia have had a disproportionate influence on school curriculum and orientation. Many are dominated by a Saudi type of Wahabiism/Deobandiism and teach a more extreme and puritanical version of Islam.

There are five distinct types of Madrassas in Pakistan, divided along sectarian and political lines. The two main branches of Sunni Islam in South Asia – Deobandi and Bareile – dominate this sector. Ahle Hadith/Salafi Muslims have their own schools, as do the Shias, while the predominantly Sunni Jamaat-e-Islami shuns sectarian tags and maintain Madrassas distinct from the sectarian ones. The religious, and doctrinal

---

[7] While growth has been rapid in Pakistan for the unique reasons noted, other countries are also experiencing a surge in numbers. Cf. Leslie Lopez, "Even as Islamic Schools Face Scrutiny, They Gain Popularity in Malaysia," *Wall Street Journal*, October 23, 2001.

[8] http://www.jang.com.pk/thenews/feb2003-weekly/nos-23-02-2003/lit.htm

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

differences of these schools vary considerably,[9]

The precise number of Madrassas is unknown. The Ministry of Education puts the figure at 10,000, though he acknowledges the problem of definition and suspects it could be higher, with as many as one million to 1.7 million students attending classes, at least for a short period. Part of the uncertainty over the number of Madrassa students stems from the fact that most so not complete their education or appear for the final graduation examinations.[10]

The major reasons for the popularity of the Madrassas in Pakistan include the fact that the country's public school system is in shambles, and many families cannot afford even the small fees that are charged. Expensive private schools are out of the question for these families. Madrassas offer an attractive alternative: free education, free meals, free schoolbooks and even in some cases a stipend. Though some middle class and rich families also send their children to Madrassas for Qur'anic lessons and memorization, they are usually day students.[11] Finally, many have attracted foreign students.

Unfortunately, many of the Madrassas have built extremely close ties with radical militant groups, both inside and outside of Pakistan. In this capacity they have increasingly played a critical role in sustaining the international terrorist network. The most famous of the Madrassas in Pakistan is in the town of Akora Khattak, 70 miles from Islamabad. The alumni of the Dar-ul-Uloom Haqqania reads like a who's who of the Taliban regime[12]. Eight Taliban cabinet ministers and dozens of provincial governors and military commanders graduated from the Madrassas. In fact, the Taliban movement, which took its name from the Arabic word for "students," was born in the Madrassas of Pakistan. Just as troubling:

> The Deobandis (after a north Indian town where the doctrine originated) practice a fundamentalist creed marked by obscurantism, hatred

[9] Pakistan: *Madrasas, Extremism and the Military* (Brussels: International Crisis Group, July 29, 2002), p.1

[10] *Pakistan: Madrasas, Extremism and the Military*, op. cit. p. 2.

[11] *Pakistan: Madrasas, Extremism and the Military*, op. cit. p. 1.

[12] A similar situation exists in Indonesia. Cf. Timothy Maples, "Indonesian School Has Chilling Roster of Terrorit Alumni," *Wall Street Journal*, September 2, 2003.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> of Western civilization and Jews, misogyny and violent dislike of Shiite Muslims. Their seminary curriculum contains little but indoctrination in their radical philosophy. Not surprisingly, students often graduate functionally illiterate, with virtually no job skills, but thoroughly prepared for a career in extremism and jihad....Since approximately 15 percent of the students come from foreign countries, virtually all Islamic terrorist groups around the world have benefited from this 'educational' system[13]

Ministry of Education officials speculate that 10 to 15 percent of Madrassas might have links with sectarian militancy or international terrorism. The government admits though that these statistics are unreliable. The lack of credible data makes reform more problematic. It also underscores both the extent of official neglect and, conversely, the special treatment received by a select group of Madrassas.

One thing is clear, the growth of the Madrassas in Pakistan reflects the ascendance of religious extremism in the country. The sources of this extremism are complex, but at least four factors have played a significant role[14]: (1) The extensive Saudi funding for exporting Salafi/Wahhabiism to the subcontinent and for keeping religious reactionaries at bay in seminaries set up in regions at a distance from the Kingdom; (2) Reliance on religious elements by the military high command and civilian autocrats (like Benazir Bhutto and Nawaz Sharif) to promote anti-democratic agendas; (3) Anti-Americanism generated initially by the pro-Israeli U.S. commitment and fuelled subsequently by the U.S. invasions of Afghanistan and Iraq; and (4) The organizational zeal of the Jamaat-i-Islam which enabled it for the time being to gather disparate religious grops under the umbrella of the Muttahida Majlis-i-Amal (MMA) – the coalition of religious parties that won the provincial elections in the NWP and Balochistan in October 2002.

In addition to their role in terrorism, the schools are a concern because of their non-technical, non-scientific curriculum. Many teach only religious subjects to their students, focusing on rote memorization of Arabic texts. In essence they are producing a generation of students

[13] Alex Alexiv, "The Pakistani Time Bomb," *Commentary* 115:3 March 2003, p. 48.
[14] Ibid

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

unlikely to play a productive role in creating the type of modern dynamic economy necessary to reduce the country's grinding poverty. Accounts of the daily life of students at Madrassas detail this grim picture:[15]

> Crouching on a threadbare carpet, the young boys rocked backwards and forwards, their voices blending into a medley of high-pitched chants. They sat cross-legged beside a low wooden bench on which were propped copies of the Koran. A row of 20 white-capped heads bobbed to and fro as the boys pored over their texts. Their bearded teacher, perched on a cushion at one end of the dark, crowded room, appeared indifferent. He ignored his tiny charge, aged between six and eight, as they concentrated on memorizing all 6,666 verses of the Koran, learning two words of the Arabic text at a time[16].
>
> •
>
> With their spartan classrooms and stern teachers, Pakistan's Madrassas seem to owe more to Charles Dickens than Islamic tradition. Each of the boys engaged in memorizing the Koran had risen before dawn for morning prayers. They had begun studying their verses at 7am and would continue, with a two-hour break, until 6 pm. More prayer and study would follow until 11pm, when the lights at the Jamia-ul-Faridia Madrassas in central Islamabad are mercifully switched off[17].
>
> •
>
> Their graduates are unable to multiply, spell their own names in English, find their nation, or for that matter any other country on a map and are very ignorant of everyday happenings in the world[18].
>
> •
>
> In the obscure Madrassas impressionable young minds are taught a distorted and unnatural version of Islam, hatred, murder of innocent civilians including other Muslim men, women, and children in the name

[15] David Blair, "Sought-After Schools Where the Only Lesson is Learning the Koran: Madrassas Flourish Despite Controversy," *The Daily Telegraph*, September 11, 2002, p. 11.

[16] Blair, *op. cit.*

[17] Blair, *op. cit.*

[18] Murtaza Ali Shah, "Madrassahs: Breeding Grounds of Terrorism," *The Asian Outlook.Com* http://www.theasianoutlook.com/31janmadarsas.htm

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> of jihad and martyrdom through suicide attacks to earn place in heaven. As a compulsory part of their education, most of the religious schools include weapons and physical training in their regimen, as well as fire branded lessons on speechmaking where rhetoric is memorized against America and liberal politics. These students, most of whom coming from extremely poor background, are uneducated, young, economically dependent on the schools, and cut off from contact with the outside modern world and their families for years at a time, thus the likeliness of their being programmed to become fanatic and violent for the sake of religion is extremely high[19].

In sum, the crux of the problem comes down to the type of education the Madrassa imparts. Education that creates barriers to modern knowledge, stifling creativity and breeding bigotry, has become the Madrassas' defining feature. It is this foundation on which fundamentalism – militant or otherwise – is built.

However not all Madrassas are alike. While many offer only the most rudimentary math and science others are more sophisticated, aiming at the same level of education found in Pakistan's more-elite schools. One of the better funded Madrassas is the Anjuman Faizul Islam in Rawalpindi. Here boys and girls – nearly 700 of whom are orphans – study together up until fifth grade, and then continue their studies separately until grade 10[20].

> This Madrassa's library is full of books in both English and the national language, Urdu, from "Gone With the Wind" to "How to Build a Hydropower Dam". The chemistry lab would not look out of place at any American public school. The curriculum includes Islamic studies, to be sure, but the emphasis is on achievement, not on Islamic political causes[21].

The extent to which Pakistan's Madrassas are innocent – if austere – institutions offering a valuable education to poor children, or dangerous

---

[19] Ibid

[20] Scott Baldauf, "Pakistan's Two Schools of Thought," *Christian Science Monitor* October 3 2001 http://www.csmonitor.com/2001/1003/p7s1-wosc.html

[21] Scott Baldauf, op. cit.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

hotbeds of Islamic zealotry[22] is a central question for the Pakistani authorities. The other main issue concerns the ability of the government to undertake reforms given the rise and recent electoral successes (October 2002) of the country's religious parties.

Madrassas Reforms

For more than two years the government has been trying to revamp the country's school system, together with weeding out extremist Islamic educators.[23] As expected, much of the focus of these efforts has been on finding ways of regulating and reforming the various Madrassas.

Madrassa Registration Ordinance

To this end, on June 19, 2002 the federal cabinet approved the Madrassa Registration Ordinance 2002, in force immediately, to regulate religious schools by bringing them under the formal educational system of the country. According to the ordinance, Madrassas must register with the Pakistan Madrassa Education Board and the respective Provincial Madrassa Education Boards. A key aspect of the Ordinance is that unregistered Madrassas will be prohibited from receiving Zakat funds, financial assistance, grants, donations or other benefits from the federal government or provincial governments. Madrassas violating the Ordinance risk closure or a fine or both.

The government is also trying to persuade the schools to teach science, mathematics, English and Urdu. This would provide students with the option, now usually lacking, of eventually enrolling in professional schools[24]. The government has gone so far as to suggest that Madrassas would receive government aid only if they begin providing what could be termed a "modern education[25]".

---

[22] A detailed account of Madrassahs links to terrorism is given in: O. N. Mehrotra, "Madrassa in Pakistan: The Chief Promoter of Islamic Militancy and Terrorism," *Strategic Analysis* 23:11 February 2000.

[23] Ilene R. Prusher, "Musharraf vs. the Mullahs: A Fight for Islamic Schools," *Christian Science Monitor*, January 30,2002. http://www.csmonitor.com/2002/0130/p07s01-wosc.html

[24] A number of innovative programs are being introduced in other countries. Cf. Timothy Maples, "In Indonesia, Contentious School Looks to Teach Both Islam and Western Subjects," *Wall Street Journal*, May 16, 2002.

[25] Elizabeth Rubin, "Can Musharraf Reform Jihadi Culture?" *Christian Science Monitor* January 24, 2002.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

According to the Ordinance every registered Madrassa is to maintain accounts and submit an annual report to their provincial education board. A registered Madrassa must not receive any grant, donation, or aid from any foreign sources, or allow admission to foreign students or make appointment of teachers without valid visa and a "No Objection Certificate" from the Interior Ministry.

The plan is ambitious and very necessary. But by itself it will take years before the effects start to show. It is already apparent that change will not come soon to the Madrassas. Not only are many religious groups violently opposed to any government interference, but the Ordinance is not compulsory. In practice, because of pressure from the clergy, the only penalty for not registering a Madrassa is that it will not be eligible to receive any government funding. Even this limited incentive is undercut by the fact most of the schools receive little or no government funding to begin with. In August of 2002 after intensive lobbying by clergy leaders, the Musharraf Administration has pledged to water down the Ordinance.

In short, any suggestion of change in the traditional sector of Islamic instruction makes the clergy suspicious of government intentions. They are willing to teach non-religious subjects but 'secularization' is their worst fear, and they vow fiercely to resist it. The clergy have a long and successful history of opposing governmental reform plans and preserving the religious bias and traditional format of Madrassa education. Madrassas have become the fiefdoms of their clerics, who jealously safeguard autonomy because it gives them unchecked control of finances, their students and what they are taught.

Removing Destabilizing Elements

On the other hand the government has been more successful in removing a major destabilizing element the foreign jihadis. Pakistan has been host to thousands of foreign jihadis since the 1980s. In most cases, their home countries were not willing to take them back, and these jihadis feared persecution if they returned to countries such as Egypt, Jordan, Yemen and Algeria. Those who did not participate in the civil war that followed the Soviet withdrawal moved to Pakistan. Jihadi Madrassas provided them sanctuary and the Pakistan military other

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

jihads to fight. These foreign jihadis also fought alongside the Taliban. Hence, the inflow of Arabs continued even during the 1990s.

The Arabs differ from Pakistani and Afghan jihadis in many respects. In particular they have an affinity for the more rigid and radical Ahle Hadith and Deobandi sects and strongly reject local cultural variations of Sunni and Shia Islam. Compared to Pakistani and Afghan counterparts, Arab jihadis are usually from well-off families and thus become a source of funding for their Pakistani hosts. They also help their Pakistani patrons network with likeminded individuals and groups throughout the Middle East. The Musharraf government has ordered that no Madrassa should accept new foreigners unless they have a permission certificate from their own countries and are properly registered with the interior ministry.

In March 2002, the government identified 300 foreigners for expulsion from Pakistan and said another 7,000 were under scrutiny. It is not known, however, how many have actually been sent back to their countries or handed over to the U.S. for terrorism investigation. What is known is that hundreds voluntarily left the Madrassas when a crackdown became imminent.

Madrassa Reforms Project

Apparently, frustrated at not making much progress in regulating the Madrassas the government has recently (June 2003) shifted its approach more towards one of cooperation. Specifically it has opted to provide a number of incentives to persuade the religious lobby into adopting a standard approach towards their education.

The government's plan is an effort to bridge the existing gulf between the mainstream formal education system and the traditional Madrassas through forming an integrated system of national education by modernizing the Madrassa curriculum.

To implement this plan the federal government signed (June 19, 2003) a Memorandum of Understanding with the four provinces, Federally-Administered Tribal Areas (Fata), Federally-Administered Northern Areas (Fana) and Azad Kashmir to reform 8,000 Madrassas during the next five years. Under the new arrangements, a Madrassas Reforms Project has been launched and an amount of Rs 225 million

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

has been allocated in the Public Sector Development Program (PSDP) 2002-03 for this purpose.

Hopefully the project is to establish and strengthen lines of communication between the Madrassas and the government. The goal is also to educate 1.5 million students, both male and female, in a manner that will enable them to continue their studies in colleges and universities education. This is to be accomplished through the introduction of formal subjects (which have otherwise been considered as non-religious subjects) such as English, Mathematics, Pakistan Studies, Social Studies and General Science at the primary and secondary levels. At the intermediate level, English, Economics, Pakistan Studies, and Computer Science will also be taught.

The government has also planned to fund the salaries of the teachers to be appointed to teach non-religious subjects. A salary of Rs 4000 would be given to teachers for teaching formal subjects at the secondary level and Rs 10,000 at the intermediate level. The cost of textbooks, stationary items, sports facilities and utility charges and one-time grant for the library and furniture facilities is also covered under the scheme.

The question now is: will the religious schools accept this scheme? As in the past most Madrassas are firmly opposed to any outside reform in their syllabi or education system. Their biggest suspicion is that every government move in this direction is a Western-inspired maneuver to gain control over Islamic institutions to change the Islamic education and values to suit the West. Moreover, many administrators of the Madrassas feel there is no need to modify or reform their syllabi or education system because it is in line with the teachings of Quran and Hadith, and fulfils the basic purpose of learning Islam i.e. to preach and promote it. As for the Government's plan to impart modern education in seminaries, they claim to be already providing a basic modern education with their own resources and without any outside help.

Several quotes[26] are instructive:

Qari Hanif Jallundhari, secretary-general of Wifaqul Madaris ul Arabia Pakistan (the Madrassa education board for Deobandi school of

[26] From Asim Hussain, "No Thanks," *The News International* June 29, 2003.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

thought):

> The Madaris Reform Project is not a sincere offer to help Islamic institutions and is actually a part of a global conspiracy to deviate us from our basic purpose – to teach Quran and Hadith.

Hanif Jallundhari, who is also the convener of the alliance of all madrasa boards of different schools of thought in Pakistan:

> We are fully aware that modern education is beneficial for ulema and religious scholars. We have been successfully imparting these subjects and have never requested for any government help because we never felt it was a difficult job.

Dr Sarfraz Naeemi, principal Jamia Naeemia Lahore and secretary-general Tanzimul Madaris Pakistan (Madrassa Board for Brelvi school of thought):

> This project has not been initiated by the Pakistan government and the U.S. is behind this move to suppress the growing Islamic influence which is resiltently rising after the U.S. aggression on Afghanistan and has now gained momentum after the recent war in Iraq.
>
> The British colonialists had tried to do the same by suppressing Islamic education in the subcontinent but our ancestors left the cities to reside in far away towns to protect the Islamic education system. The West has always tried to pollute the Islamic values of morality, decency and brotherhood. And for this basic purpose it has always been keen to introduce its cultural waywardness, family planning methods and obscenity on media into our society.

Pir Saifullah Khalid, principal Jamia Manzoor ul Islamia Lahore:

> Our education standard is far higher than the one prevalent in government institutions. Our students go through those courses in fourth year which the government institutions impart to their students during MA Islamiyat.

Maulana Abbas Naqvi, secretary-general Wifaqul Madaris al Shia:

> We will never accept any conditional aid that amounts to interference in our independence and sovereignty which is supreme for us.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> We have resisted all such moves in the past and will continue to resist any attempt aimed at curtailing our independence.

Given this sentiment and the long history of the Government's failed attempts at change, there is certainly reason to believe that progress will not be smooth and rapid. Added financial resources will be a key element and ultimately this will involve the cooperation of the international community.

Role of the International Community

A start has already been made in this direction. The Madrassa reforms being proposed now directly involve the Western countries. The Brussels-based International Crisis Group[27] recommended that the donor community should hold the Pakistani government to its commitments on Madrassa reform, and particularly urge it to: (a) close Madrassas linked to banned extremist groups; (b) establish a regulatory authority under the interior minister with sufficient powers to overcome clerical resistance; (c) end involvement of intelligence agencies in the Madrassa sector; and (d) provide financial assistance to government programs to reform the Madrassa education sector.

Attempts to reform the Madrassahs will be difficult because students have few alternatives for education, and Pakistan will not make much progress in its reform efforts without looking past the Madrassahs and taking a comprehensive approach to the educational system as a whole. Given the country's limited financial resources and qualified educational personnel, the success of this effort will depend largely on the generosity of the international financial community.

Fortunately gaining broad based donor support for educational assistance is facilitated by the fact that there is broad agreement among economists and other social scientists that education plays a crucial role in the country's economic development. This view has been further strengthened by some recent research on endogenous growth, which has found both theoretical support and empirical evidence in favor of a positive relationship between economic growth and capital formation[28].

---

[27] *Pakistan: Madrassas, Extremism and the Military* (Brussels: International Crisis Group, July 29, 2002).

[28] Norman Gemmell, "Reviewing the New Growth Literature," *New Political Economy* 3:1

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

In the context of Pakistan, a number of studies have been done to assess the extent and nature of the relationship between education and a large variety of other variables[29]. Butt[30] has found that five or more years of farmer's education lead to increased farm and labor productivity, reduced use of farm labor, and increased use of yield augmenting inputs like fertilizer. Azhar's[31] finding that farmer's education results in a significant increase in the farm output by increasing technical efficiency leads further support to the belief that expansion of education in rural areas would help the development of the agricultural sector. Khan[32] concluded that literacy causes increased productivity in the manufacturing sector. A study of gender wage differential by Ashraf and Ashraf[33] reveals that a significant percentage of the wage gap between males and females can be explained by the difference in their characteristics including education.

The studies of the rates of return to education referred to above generally give positive value for the rates of return to all the levels of education. This means that by investing in education one can increase his/her life-time earnings. Improved access to quality education is one of the most effective means of lifting the large segments of the population out of poverty.

The problem of mass illiteracy, educational inequality, and inefficiency need to be solved as soon as possible. Clearly, the policy of free education through public schools which has been in effect for decades has not gone a long way in this direction. This makes a new carefully targeted approach towards providing and financing expanding educa-

---

1998, pp 129-133.

[29] Najam Us Saqib, "A Critical Assessment of Free Public Schooling in Pakistan," *The Pakistan Development Review* 37:4 Part II (Winter 1998), p.969.

[30] M.S. Butt, "Education and Farm Productivity in Pakistan," *Pakistan Journal of Applied Economics* 3:1 1984, pp. 65-82.

[31] Rauf A. Azhar, "Education and Technical Efficiency in Pakistan's Agriculture," *The Pakistan Development Review* 27:4, 1988, pp. 687-

[32] Shahrukh R. Khan et al., "Causality Between Literacy and Labor Productivity in Pakistan," *Economics of Education Review* 10:2 1991, pp. 245-251

[33] A. Ashraf and B. Ashraf, "Estimating the Gender Wage Gap in Rawalpindi City," *Journal of Development Studies* 29:2 1993 pp. 365-376.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tional opportunities absolutely essential.[34]

Singer[35] has explored several of the options that might be worth considering. Logically, and perhaps with international financial and technical assistance the Pakistani authorities could pursue one or more of the following options:

- Developing a public Madrassa system as an alternative to the current private Madrassas.
- Developing a secular public education system that provides Pakistani families with a superior alternative to the Madrassas.
- Developing alternatives and supplements outside the formal educational system.
- Obtaining educational aid from a variety of international sources.

Option 1 given the country's limited supply of educational facilities and qualified teachers, might appear to be an attractive short term solution. As Singer notes, publicly managed Madrassas exist throughout the Middle East, teaching the tenets of Islam, but also providing a more modern curriculum. Here international assistance could focus mainly on providing various educational materials and supplies. A major problem is that the schools would be hard to monitor for performance.

Option 2 while one might argue that from a social point of view the public school system is doing a good job in achieving the goal of universal education, the quality of public school education is a serious problem. In the majority of the cases, schools are over-crowded with inadequate teaching staff. The standards set for the employment of teaching staff are not properly observed. The pay scales offered to the teaching staff are also not very attractive. On top of this, there are no monetary or non-monetary incentives for teachers to improve their qualification. Therefore teachers show little or no interest in their job. There is no system to monitor the performance of these schools and, therefore, dropout rates are vary high. The schools follow an outdated

[34] Najam Us Saqib, "A Critical Assessment of Free Public Schooling in Pakistan," *The Pakistan Development Review* 37:4 Part II (Winter 1998), p.970.

[35] Singer, op. cit.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

syllabus with no meaningful link to the job markets faced by graduates.[36]

Option 2 would definitely entail considerable international financial assistance. However, rough cost calculations indicate that this might be a promising option. Estimates are that the international donor community could build a school for several hundred children for $60,000 and operate it for $10,000 a year. This would appear to be an extremely cost effective alternative.

Option 3 is a final alternative noted by Singer. This course of action would largely involve expanded international donor sponsorship of technical schools and other centers of learning within Pakistan. No doubt this would be a popular alternative for many students. As the government's economic reforms begin to bear fruit the demand for trained and skilled graduates will grow rapidly. More importantly, without a steady stream of qualified graduates, the country would have a hard time restoring growth in the 5-6% per annum range.

With regard to *Option 4,* while many international organizations would like to assist Pakistan's attempts at improving public education, the country does not meet all the conditions to qualify for many types of assistance. For example, the World Bank has recently targetted Pakistan and tweny-two other developing nations in Asia, Africa and Latin America to spearhead a campaign to educate all children by 2015. Unfortunately Pakistan, together with India, Bangladesh, the Democratic Republic of the Congo and Nigeria, currently falls short of the Bank's minimum criteria for receiving financial aid. The Bank has set two requirements for countries seeking financing: they must have a fully developed "poverty reduction strategy"; and they must be effectively implementing an education plan that donor nations have agreed to. As part of its relationship with the IMF, Pakistan currently has a poverty reduction strategy in place. The international donor community could be of considerable assistance in helping the Pakistani government develop a comprehensive educational plan that could draw financing not just from the World Bank but also from other international agencies and NGOs.

---

[36] Zafar Mueen Nasir, "Do Private Schools Produce More Productive Workers?" *The Pakistan Development Review* 38:4 PartII (Winter 1999), p. 937-38.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Conclusions

For more than a generation, Pakistan's social divide has been drawn in this Muslim nation's schools. Westernized middle- and upper-class families send their children to private schools, usually nondenominational. The poor attend either inadequately funded public schools or the Madrassas[37].

It is naive to think that the threat posed by many of the Madrassas can be entirety remedied by government pressure. This is a short term solution that fails to tackle the poverty and despair that fuel the Madrassas' appeal. The only way to decrease the attraction of Madrassa schools in the long term is to offer access to alternative educational institutions that promise to build a more prosperous, equitable and stable society. This is particularly important for the poorest segments of the population, who have traditionally been denied access to education[38].

Clearly educational reform will be one of Pakistan's most important challenges in the months and years to come. Fortunately, the country has a number of viable options for moving away from the current dysfunctional system. Pakistan's progress in this area may be the most critical determinant of whether the country becomes a moderate, progressive nation joining the world community, or whether it descends into increased poverty, isolation, and instability.

[37] Scott Baldauf, "Pakistan's Two Schools of Thought," *Christian Science Monitor* October 3, 2001 http://www.csmonitor.com/2001/1003/p7s1-wosc.html

[38] Fiaa Shah, "Poverty and Hopelessness that Fuel Religious Schools' Appeal," *Financial Times*, September 6, 2002.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Defense Expenditure and Economic Growth in the SAARC Countries

M. Kabir Hassan, Ph.D.
Professor of Finance at the University of New Orleans
M. Waheeduzzaman, Ph.D.
Professor of Public Administration and Department Chair at the Austin Peay State University
Aminur Rahman, Ph.D.
Associate Professor of Economics at Independent University, Bangladesh.

This paper examines growth empirics in the context of five of the seven South Asian Regional Cooperation Council (SAARC) nations with special emphasis on the impact of military expenditure on economic growth using a panel data over the 1980-1999 period. It sheds light on both theoretical and empirical evidence about the many ways macroeconomic policies affect growth. The author's results indicate that ICT infrastructure, FDI, GDP growth, human capital, population growth, globalization index, gross domestic investment, government expenditure, *per capita* income, exchange rates and military expenditure all appear to influence net inward FDI flows and economic growth. ICT infrastructure and its utilization deserve more study.

Key Words: South Asian Regional Cooperation Council; Military expenditure; Economic growth; ICT infrastructure; FDI; GDP growth; Human capital; Population growth; Globalization index; Gross domestic investment; Government expenditure; *per capita* income; Exchange rates.

Introduction

This paper examines the relationship between military spending and economic growth in the context of a multivariate economic growth framework in five of the seven-member SAARC countries over the period from 1980 through 1999. The central theme of this paper is to ascertain whether military expenditure has any impact on economic growth and FDI.

A number of studies have been carried out to find the determinants of countries' economic growth. Solow (1956) conducted an empirical study on the determinants of growth based on neoclassical theory. The

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Solow growth model predicts that in steady-state equilibrium the level of GDP *per capita* will be determined by the prevailing technology and the exogenous rates of saving, population growth and technical progress. That study concludes that different saving rates and population growth rates might affect different countries' steady-state levels of *per capita* income. However, recent growth theorists dismiss the Solow model in favor of an endogenous growth model that assumes constant and increasing returns to capital. The critics allege that the standard neoclassical model fails to explain the observed difference in *per capita* income across countries. The different implications of exogenous and endogenous growth models have led to renewed empirical work in recent years (Khan and Yim, 2000; Mehanna, 2001).

The relationship between defense spending and economic development is a controversial topic. There is no sufficient theoretical framework and empirical evidence that crystallizes this relationship. Standard literature has synthesized few theoretical explanations. Defense spending can affect economic development either negatively through a crowding out of investment, positively through an expansion of aggregate demand, or positively through increased security. There are four arguments in favor of military expenditure's promoting economic growth. First, the defense expenditures can have a stimulative effect on the economy through the Keynesian multiplier mechanism, and this impact will be stronger in developing countries. Second, nations can experience positive externality from the state-of-the art technologies, which can be adopted in producing civilian goods. Third, a significant part of the overall defense budget usually goes to the development of infrastructure (roads, highways, airports and information technology), which will promote growth. Fourth, defense expenditure supports economic growth by maintaining internal and external security, and this creates a positive trade and investment climate for domestic as well as foreign investors.

There are essentially four arguments showing military expenditure retarding economic growth. First, higher defense expenditures can crowd out both public and private investment that may be more growth-oriented and need-based than those of defense spending. This crowding out of essential investment may have an adverse impact on the long-run

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

economic growth. Defense expenditure may crowd out private sector R&D activities, of which the technological innovations spill over faster to the civilian sector than those of the defense sector. A number of innovations in the defense sector may not be useful in the civilian sector. Second, defense expenditure can cause balance of payments problems if hard-earned foreign exchanges are used to purchase arms and defense hardware. Third, defense can inhibit growth by diverting resources from the export sector, which is often considered an engine of growth. Finally, the defense sector limits growth through inefficient bureaucracy and excess burdens created by taxes necessary to finance military spending. Since defense spending can cause both positive and negative effects, its final impact on growth will depend on the strength of the opposing forces. It is usually believed that the LDCs are likely to gain more from defense spending vis-à-vis the developed countries, as benefits are more widespread across the economy in these countries.

We examine the impact of defense spending in five South Asian countries on economic growth and FDI in the context of a neo-classical growth framework. Single-equation and simultaneous-equation models have been estimated, and more recently there has been the application of techniques that investigate causal links. Studies have varied from extensive cross-country analyses, which failed to reach any consensus, to detailed case studies of individual countries. Dunne (1996) provides an extensive survey. The present study contributes to the debate in two ways. First, it provides a further case study of five of the regional cooperation SAARC countries. Second, it goes beyond the standard "Granger causality" econometric techniques used in previous econometric work, and uses a panel data approach within the framework of an economic growth model. Therefore, our approach is more comprehensive than others.

The rest of this paper is structured as follows: Section 2 briefly reviews the literature on military expenditure and economic growth. Section 3 sets out the conceptual framework of the model and analyzes the data. Section 4 discusses the political economy of military expenditure in the SAARC Countries. Section 5 concludes the paper.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Literature

A key element of the neoclassical growth theory is the assumption that technical change is exogenous and that the same technological opportunities are available across countries. This assumption implies that steady-state growth depends solely on exogenous population growth and exogenous technical progress. In other words, the model predicts that poor countries should gradually converge toward richer countries. However, studies undertaken by Romer (1986) and Lucas (1988) have dropped this central assumption. The broad consensus highlighted in the literature is that a country's growth over a long period is basically determined by three factors, namely: (1) the efficient utilization of the existing stock of resources, (2) the accumulation of productive resources such as human capital, and (3) technological progress.

In the aftermath of the work of Benoit (1973, 1978), who suggested that there was a positive relation between military spending and development, there has been considerable debate over the links between military spending and development. After the comprehensive critique provided by Ball (1983), a large number of econometric works attempted to overcome the deficiencies of the applied analysis in Benoit. There have been studies using single-equation analyses, simultaneous-equation systems, and large macroeconometric models, all developed from a variety of theoretical positions. Studies have been applied to different cross-sectional samples of countries, time series for individual countries, and pooled time series and cross-sectional data. No consensus has developed, but the most common findings are that military spending has no significant impact, positive or negative, on economic growth (Dunne 1996 provides an extensive survey).

One important part of the single-equation work has been the recent application of causality tests to the data to see if there is any effect of military spending on growth and vice versa. Joerding (1986) considered two measures of military spending and growth for 57 less-developed countries (LDCs) for the period from 1962 to 1977 and found no evidence that military spending causes growth, whereas Chowdhury (1991, studying 73 LDCs) and Kusi (1994, 77 LDCs) found no common result. The findings that there was no general result sparked a number of more detailed case studies. Kinsella (1990) studied the causal relation-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ship between defense spending and various economic variables (including output) of the United States and concluded that there was no substantial relationship between defense spending and output. Looney (1991) analyzed India and Pakistan and found a positive effect of military spending on growth for Pakistan but a negative one for India. Chen (1993) analyzed China and found no evidence of a causal link. Madden and Haslehurst (1995) found no causal relationship between military spending and growth. Finally, Kollias and Makrydakis (1999) examined Greek data and likewise found no causal relationship.

Using a panel data of 95 countries and 8 MENA countries over the 1980-2001 period, Hassan (2003) examines the important factors that contribute to FDI and economic growth in the world and compares them with those of MENA countries. FDI brings host countries capital, productive facilities, new technology and modern management know-how. Information and communication technology (ICT) is essential to growth, necessary to develop a country's productive capacity in all sectors of the economy, and links a country with the global economy and ensures competitiveness. This paper finds both growth and FDI are related to a host of macroeconomic, ICT and globalization variables. This paper provides policy recommendations for improving FDI inflows with special focus on trade facilitation, export processing zones, investment promotion agencies, export performance requirements and WTO rules and incentives. Table 1 provides a summary of important papers on FDI and economic growth.

Data and Research Methodology

Data for this analysis are derived from World Development Indicators, International Financial Statistics, the World Telecommunication Development Report, and the UNESCO database. The analysis is based on data from a cross section of five of the seven SAARC countries over time from 1980 to 1999. Table 2 provides data description and their nominal statistics.

FDI inflows are net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than the home country of the investor. The measure is the sum of equity capital, reinvestment of earnings,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

other long-term capital, and short-term capital as shown in the balance of payments.

ICT infrastructure, or information and communications technology infrastructure, is a composite variable composed of indicators such as the density of Internet hosts and the number of computers, telephone mainlines, fax machines, TV sets, radios, users of mobile phones, and subscribers to newspapers. The reliability alpha among the sub-factors was .89. All the sub-factors were standardized and then combined to make the ICT-infrastructure variable.

Globalization is calculated as the sum of exports and imports divided by GDP. This ratio of trade to GDP provides a measure of the degree of economic openness.

Human capital means the percentage of the relevant group participating in secondary education. Secondary education completes the provision of basic education that began at the primary level, and aims at laying the foundations for lifelong learning and human development by offering more subject- or skill-oriented instruction using more specialized teachers. *Population growth rate* is the exponential change of population each year.

Gross domestic investment consists of outlays for additions to the fixed assets of the economy plus net changes in the level of inventories. It is coded as a percentage of GDP. Also indicated by percentage of GDP, *Government's Expenditure* denotes central government's total expenditure including nonrepayable current and capital expenditure. *FDI inflows* are net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than the home country of the investor. The measure is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments.

Inflation rate indicates a GDP implicit deflator measuring the average annual rate of price change in the economy. *Exchange rate* is a measure of each country's currency stability. Larger numbers indicate a weaker currency.

Our hypothesis explaining economic growth and military expenditure, based on a review of the theoretical and empirical literature and on

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the ideas we presented above in our theory section, are represented by the equation below. Y0 is the initial GDP *per capita*, FDI is net FDI inflows, ICT is information and communications technology infrastructure, GI is globalization index (an indicator of market openness), *GDP* is gross domestic product, GDI is gross domestic investment, PG is population growth, GE is government expenditure, FDI is foreign direct investment, ER is exchange rate, IR is inflation rate, ME is military expenditure, ε is error, *i* represents each sampled country, and *t* represents each year. Ordinary least squares (OLS) regression analysis was used for analysis. We use a panel data method to estimate the following two equations: one for GDP growth and other for FDI.

$$(GDP\ GROWTH)_{it} = \beta_0 + \beta_1(Y0) + \beta_2(GI)_{it} + \beta_3(ICT)_{it} + \beta_4(HC)_{it} + \beta_5(PG)_{it} + \beta_6(GDI)_{it} + \beta_7(GE)_{it} + \beta_8(\mathrm{FDI})_{it} + \beta_9(ER)_{it} + \beta_{10}(IR)_{it} + + \beta_{11}(ME)_{it} + \varepsilon_{it}$$

$$(\mathrm{FDI})_{it} = \beta_0 + \beta_1(Y0) + \beta_2(GI)_{it} + \beta_3(ICT)_{it} + \beta_4(HC)_{it} + \beta_5(PG)_{it} + \beta_6(GDI)_{it} + \beta_7(GE)_{it} + \beta_8(GDP\ GROWTH)_{it} + \beta_9(ER)_{it} + \beta_{10}(IR)_{it} + + \beta_{11}(ME)_{it} + \varepsilon_{it}$$

There are different channels through which positive externalities associated with FDI can occur. In a competition channel, increased competition leads to increased productivity, efficiency and investment in human and/or physical capital; and also increased competition may lead to changes in the industrial structure toward more competitiveness and more export-oriented activities. Second, in a training channel, increased training of labor and management can enhance growth. Third, in a linkages channel, foreign investment is often accompanied by technology transfer, and such transfers may take place through transactions with foreign firms. Finally, in a demonstration channel, domestic firms imitate the more advanced technologies used by foreign firms.

Analysis of Empirical Results

We provide pooled cross-section estimates in Tables 3 and 4. In the pooled cross-section regression gross investment, foreign direct investment (FDI) and military expenditures (ME) are statistically significant at 5 percent level. Domestic and foreign investments, and military expenditure positively influence the GDP growth. Infrastructure, government expenditure, and exchange rates negatively affect

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

GDP growth; but none of the coefficients of those variables are statistically significant. On the other hand, human capital, population growth and inflation affect the GDP positively but insignificantly. *Per capita* GDP affect negatively as expected, but the coefficient is statistically insignificant.

We find almost similar and consistent results when we regress foreign direct investment against a set of explanatory variables. We find how globalization exerts a positive and significant effect on FDI inflow. We also find that an information technology proxy contributes positively to the FDI flows. However, we find unexpectedly negative effects of human capital and population growth variable on the FDI inflows. We also find the exchange rate impacts FDI flows negatively, and it signifies that domestic currency devaluation exerts a negative influence on FDI inflows. Our important finding is that military expenditure has a negative impact on FDI. The negative and significant coefficient of income *per capita* supports the income convergence hypothesis among these five regional countries.

The Political Economy of Defense Expenditure in the SAARC Countries

Statistically we have been able to show some positive relationship between growth and military expenses in the above analysis. However, the growth concepts are not usually kept in mind while making expenditures for military purposes, at least in the SAARC countries. Sometimes military expenditure and GDP comparisons are misleading. The proportion of national resources allocated to defense reflects the perceptions of the national elite and decision-making circle, which is largely founded on the security milieu in which a country finds itself. It simply does not represent any comprehensive plan of sound investment where mass benefits exist.

All countries (under SAARC) in our discussion are extremely poor and resources are transferred to defense at the cost of the economic and social development sector. The defense expenses are made with high hopes of maintaining internal and external security. In the SAARC countries, national security should be intrinsically linked with human security. Human security should have the upper hand in any security

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

issue, since no security is sustainable in a country with an average 30% of hard-core poor in the total population, whatever the size of military build-up. So for internal purposes, except in some internal insurgency cases, the emphasis should be on the development of human resources, not on military expenditure. The central point is that without the development of human resources, poverty cannot be reduced. In such a state, poverty becomes the center of discussion for growth, not military expenditure. To ensure human security, what needs to be accommodated are access to education, better sanitation and health. If there is only military security, it will be a fragile growth initiative.

In the case of Bangladesh, external security threats are threats from neighboring India and Myanmar. However, looking at the military might of India in conventional as well as non- conventional senses, Bangladesh is no match. An effort to match it will be a futile exercise. Even Myanmar has a much better arsenal of military build-up than Bangladesh. Even with a larger budget, Bangladesh will not be able to keep up with them. So falling in a competitive trap with Myanmar will again be impracticable. The analogy above does not put Bangladesh in a helpless situation. The cases of India and Myanmar are different. One is engulfed in several long-standing disputes with its neighbor in the north and the other is ruled by a military junta. Even with these adversaries, India spends only 2.5 percent of her GDP for defense purposes, which is quite low compared to China and Pakistan. Of course, there are some concealed budget in Bangladesh in the form of pension and other funds for military personnel disbursed by other sectors. But they are part of social safety network, not directly military expenses.

If military strength can be treated as an export item, the expansion of that with the growth potential of the country might have some linkage. In the case of Bangladesh this phenomena is producing some positive impact as remittances sent by the exported army personnel meet some of the foreign currency gap of the country. Still, the quality of its use remains to be tested as most of the earned currency is used for real estate purposes at an exorbitantly high price leading to inflation. In the case of Sri Lanka the picture is a bit different. The country has been fighting a secessionist war for many years. So priority has been shifted to the military budget from welfare programs. The increased budget there

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

could not bring any positive growth, as foreign indebtedness has only increased over the years.

Military priorities dominate political decisions in Sri Lanka. The situation is such that the country can no longer afford the present size of military expenses. Overspending has victimized social service expenditure, which has been in decline over the years. Luckily, Sri Lanka has a skilled and educated workforce compared to all her neighbors. In this sense, Sri Lanka has missed a double opportunity, as the return from human development would have been much higher in Sri Lanka, producing a better growth potential compared to her neighbors.

In the case of Nepal, which used to maintain a low budget compared to her mighty neighbor until recently, the budget has increased to face the Maoist insurgency in the north. Thus, the growth factor here has been seen as a secondary one, not the primary one.

The military expenditures in Pakistan have been enormous. It has always been rationalized by concern over Indian attitudes. The military expenses have been increased over the years alarmingly for increasing security, but unfortunately this has produced an opposite effect, increasing *in*security. Ironically, military expenditures have been made by slashing the budget for social sector development. The effect has been that both internal and external insecurity have increased. Moreover, development was not the overriding concern of the rulers of Pakistan. The result is a huge public debt and wastage of funds that could have had a higher value-added if they had been invested in the social sector.

Our analysis above calls for reassessing national priorities in the backdrop of social development and opportunity cost because that reassessment is necessary for human resource development in encountering poverty. Military expenditure has some positive impacts because of the trickling-down effect on employment and infrastructure development, but the magnitude of that impact is low compared to the potential in alternative uses.

Implications and Conclusion

Our results indicate that ICT infrastructure, FDI, GDP growth, human capital, population growth, globalization index, gross domestic

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

investment, government expenditure, *per capita* income, exchange rates and military expenditure all appear to influence and have some relationship to net inward FDI flows and economic growth. ICT infrastructure and its utilization deserve more study. ICT infrastructure and its utilization matter because they are important to attract and retain investment. A consideration regarding emerging markets is that FDI inflows may sometimes be highly controlled by governmental or public bodies, but our finding tells us that this has not significantly deterred investment. Military expenditure has significant positive impact in our growth equation, but negative impact in the FDI equation. While globalization has positive impact on FDI inflows, it has no definable impact on economic growth.

We find that the SAARC region, mostly composed of developing countries, gains more from defense spending vis-à-vis the developed countries, as benefits are more widespread across the economy in these countries. We also find that the ultimate impact of defense on growth is positive because it brings overall stability in the economy by providing security against all external threats and aggression. However, the immediate objective of military spending may not be directly related to growth. It is imperative that we carefully assess various supply-side (spin-offs from technology or infrastructure) and demand-side (resource diversion) factors.

References

Ball, N.
1983 Defense and development: A critique of the Benoit study. *Economic Development and Cultural Change* 31 (3): 507-24.

Barro, Robert J.
1991 "Economic Growth in a Cross Section of Countries." *Quarterly Journal of Economics* 106, vol. 2 (May): 407-433.

Batchelor, Peter, and Sue Willett.
1998 *Disarmament and defense industrial adjustment in South Africa.* Oxford, UK: Oxford University Press.

Benoit, E.
1973 *Defense and economic growth in developing countries.* Boston: D. C. Heath.

Benoit, E.
1978 Growth and defense in developing countries. *Economic Development and Cultural Change* 34:176-96.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Chen, C. H.
1993 Causality between defence spending and economic growth: The case of mainland China. *Journal of Economic Studies* 20 (1): 37-43.

Chowdhury, A. R.
1991 A causal analysis of defense spending and economic growth. *Journal of Conflict Resolution* 35:80-97.

Dakurah, Henry A., Stephen Davies, and Rajan Sampath.
2001 "Defense Spending and Economic Growth in Developing Countries: A Causality Analysis," *Journal of Policy Modeling* 23(6), pp. 651-658.

Dunne, Paul and Eftyshia Nikolaidou.
2001 "Military Expenditure and Economic Growth: A Demand in Supply Model for Greece, 1960-96," *Defence and Peace Economics*. 12(1), pp. 47-67.

Dunne, Paul and Dimitrious Vougas.
1999 "Military Spending and Economic Growth in South Africa," *Journal of Conflict Resolution* 43(4), pp. 521-537.

Dunne, J. P.
1996 Economic effects of military expenditure in developing countries: A survey. In *The peace dividend*, edited by N. P. Gleditsch, O. Bjerkholt, A. Cappelen, R. P. Smith, and J. P. Dunne, 439-64. Amsterdam: Elsevier.

Gupta, Sanjeev, Luiz de Mello, and Raju Sharan.
2001 "Corruption and Military Spending," *European Journal of Political Economy* 17(4), pp. 749-777.

Hassan, M. Kabir, M. Waheeduzzaman and Aminur Rahman.
2002 "Defense Expenditure and Economic Growth in the SAARC Countries," Paper presented at the 2002 Annual Conference of Federation of Business Disciplines (FBD) in Houston, Texas, March 3-6.

Hassan, M. Kabir.
2003 "FDI, Information Technology and Economic Growth in the MENA Countries," Paper to be presented at the 10th ERF Conference in Marakkesh, Morocco on December 16-18, 2003.

Joerding, W.
1986 Economic growth and defense spending: Granger causality. *Journal of Development Economics* 12:35-40.

Khan, Habibullah and Yap Wei Yim.
2000 "Defense Spending and Economic Growth: Evidence from Asean Using Cointegration and Causality Tests," Paper presented in the 7th Annual Meeting of the ASBBS, Las Vegas, February 17-21, 2000.

Kinsella, D.
1990 Defence spending and economic performance in the United States: A causal analysis. *Defence Economics* 1:295-309.

Kollias, Christos G.
1994 "The Economic Effects of Defense Spending in Greece, 1963-90: Some Preliminary Econometric Findings," *Spoudai* 33(4), pp. 114-130.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Kollias, Christos and Stelios Makrydakis.
1997 "Defence Spending and Growth in Turkey 1954-1993: A Causal Analysis," *Defence and Peace Economics* 8(2), pp. 189-204.

Kollias, Christos, and S. Makrydakis.
1997 Is there a Greek-Turkish arms race? Evidence from cointegration and causality tests. *Defence and Peace Economics* 8:355-79.

Kusi, Newman K.
1994 "Economic Growth and Defense Spending in Developing Countries: A Causal Analysis," *Journal of Conflict Resolution* 38(1), pp. 152-159.

Looney, Robert E.
1991 Defense expenditures and economic performance in South Asia: Tests of causality and interdependence. *Conflict Management and Peace Science* 11 (2): 37-67.

Lapidus, Kevin.
1993 "National Security at What Price? The Economic Consequences of Military Spending," *The American Economist* 37(2), pp. 68-77.

Madden, Gary G., and Paula I. Haslehurst.
1995 Causal analysis of Australian economic growth and military expenditure: A note. *Defense and Peace Economics* 6:115-21.

Mauro, Paul.
1995 "Corruption and Growth," *Quarterly Journal of Economics* 110(3), pp. 681-712.

Mehanna, Rock-Antoine.
2001 "Defense Spending and Economic Development in Lebanon: A Cointegration and Vector Autoregression Analysis" Working Paper, 2001, Wartburg College, US.

Mintz, Alex and Chi Huang.
1990 "Defense Expenditures, Economic Growth, and the Peace Dividend," *American Political Science Review* 84(4), pp. 1283-1293.

Mueller, Michael J. and Sommez Atesoglu.
1993 "Defense Spending, Technological Change, and Economic Growth in the United States," *Defence Economics* 4(3), pp. 259-269.

Szymanski, Albert.
1973 "Military Spending and Economic Stagnation," *American Journal of Sociology* 79(1), pp. 1-14.

Ward, Michael and David Davis.
1992 "Sizing Up the Peace Dividend: Economic Growth and Military Spending in the United States, 1948-1996," *American Political Science Review* 86(3), pp. 748-755.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Table 1:
Summary of Main FDI and Growth Studies

Author(s)	*Sample*	*Period of estimation*	*Impacts on growth*	*Impacts on investment*	*Interaction between FDI and other factors*
Aggregate Studies on FDI					
Saltz (1992)	68 developing countries	1970-80	Negative	Not tested	
(1994)	78 developing countries	1960-85	Positive for overall sample	Not tested	Positive and significant for higher income countries but insignificant for lower income countries
Borensztein et al. (1998)	69 developing countries	1970-79 and 1980-89	Insignificant	Positive and larger than 1	Positive when combined with schooling
Oloffsdotter (1998)	50 developing countries	1980-90	Positive	Not tested	Positive when combined with bureaucratic efficiency and with property right protection, but not with openness nor with schooling.
Balasubramanyam et al. (1999)	46 developing countries Split sample: Export-oriented vs import-substituting economies	1970-85	Positive for overall sample	Not tested	Insignificant for import-substituting economies
Hermes and Lensink(1999)	67 developing countries	1970-95	Negative	Not tested	Positive impact of FDI when combined with schooling or with financial depth

Table One continued next page...

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Author(s)	*Sample*	*Period of estimation*	*Impacts on growth*	*Impacts on investment*	*Interaction between FDI and other factors*
Aggregate Studies on FDI ***(continued)***					
Nunnenkamp (2000)	55 developing countries	Time series 1970-97	Positive and significant for Latin American economies only	Not tested	
		Cross-section			
		1970-79			
		1980-89	Positive		
		1990-97	Insignificant Positive		
		Pooled analysis			
			Positive for all groups without lags		
Nair-Reichert et al. (2000)	24 developing countries	1971-95 Contemp-oraneous Correlations Dynamic Panels	No effect Positive and significant but heterogeneous	Not tested	Heterogeneous impact of FDI x Openness. No impact of FDI x Human capital
Marino (2000)	42 developing countries	1980-95		Not tested	Positive for open economies. Negative for closed economies.
Alfaro et al. (2001)	Different samples 39 countries (mixed) 41 countries (primarily developed) 49 countries (primarily developing)	Three periods : 1981- 97 1977-97 1970-95	Positive when investment excluded from the explanatory variables Insignificant when investment included	Positive and larger than 1	Positive when combined with financial depth but not with schooling and infrastructure

Table One continued next page...

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Author(s)	*Sample*	*Period of estimation*	*Impacts on growth*	*Impacts on investment*	*Interaction between FDI and other factors*
Aggregate studies on various capital inflows					
Bosworth and Collins (1999)	62 developing countries of which 18 emerging markets	1978-95	Positive through impact on TFP	No effect for the overall sample Positive for emerging markets but close to 1	
Soto (2000)	44 developing countries	1986-97	Positive	Not tested	
Studies on limited samples					
Fry (1993)	16 developing countries of which 5 East Asian economies	1966-88	Positive for the overall sample and for East Asian economies but negative for the control group	Positive for East Asia and negative for the control group	
Mody and Wang (1997)	7 Chinese coastal regions	1985-89	Positive	Not tested	
Bouklia-Hassane and Zatla (2001)	54 developing countries	1975-97	Positive	Positive	Positive when combined with schooling
	9 Mediterranean economies	1985-97	Positive but insignificant		
Bosworth and Collins (1999)	62 developing countries of which 18 emerging markets	1978-95	Positive through impact on TFP	No effect for the overall sample Positive for emerging markets but close to 1	
End of Table One.					

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Table 2:
Summary Statistics (1985 – 1996)

	FDI	*GDP Growth*	*Govt. Expenditures*	*Gross Domestic Investment*	*Inflation*	*Exchange Rate*
Mean	2.20E+08	4.986833	9.640000	21.17200	8.966000	31.38600
Median	49916842	4.900000	9.975000	21.20000	9.010000	30.72000
Maximum	2.82E+09	9.920000	16.78000	27.33000	20.06000	56.69000
Minimum	-5100000.	0.420000	2.200000	16.58000	0.290000	12.37000
Std. Dev.	4.91E+08	1.798462	3.328741	2.920503	3.648375	11.49387
Skewness	3.831786	0.078432	-0.480703	0.211140	0.342203	0.280072
Kurtosis	18.31876	3.260030	2.692210	2.009482	4.421634	2.332053
Jarque-Bera	733.4872	0.230555	2.547588	2.898617	6.223637	1.899785
Probability	0.000000	0.891119	0.279768	0.234733	0.044520	0.386783

	Population Growth	*Globalization*	*GDP Per capita*	*Infrastucture*	*HC2?*	*GC2?*	*ME2?*
Mean	2.072667	37.66583	370.0970	6.091667	41.18750	1396.690	14.54821
Median	2.110000	32.91500	325.0200	5.400000	38.25000	1296.045	13.25000
Maximum	2.940000	81.64000	727.0000	18.40000	75.50000	2907.510	29.30000
Minimum	0.910000	13.84000	165.2000	1.200000	17.20000	653.7400	4.900000
Std. Dev.	0.516569	19.37957	152.4701	4.185661	19.57068	523.1604	7.573446
Skewness	-0.435771	0.801781	0.573168	1.062840	0.513248	1.008246	0.644975
Kurtosis	1.962903	2.503748	2.374267	3.511458	2.024255	3.562700	2.243136
Jarque-Bera	4.587890	7.044195	4.264073	11.95027	4.011547	10.95718	5.219234
Probability	0.100868	0.029537	0.118596	0.002541	0.134556	0.004175	0.073563

Note: Number of cross-sections:
5 (Bangladesh, India, Pakistan, Sri Lanka, Nepal)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Table 3

Regression Estimates of Pooled Cross-Section and Panel Fixed Effect Models (GLS), SAARC (Dependent Variable: GDP Growth Rate)

Explanatory Variables/Expected signs	*Pooled Cross-Section GLS (N = 5)*
Globalization	
GI (Globalization Index) +	0.058
	(0.959)
Infrastructure	
ICT (ICT Configuration) +	-0.252
	(- 0.734)
HC (Human Capital) +	0.008
	(0.159)
PG (Population Growth) +/-	0.690
	(0.474)
National Investment	
GDI (Gross Domestic Invest)+	0.398**
	(2.112)
GE (Government Expenditure) +/-	-0.061
	(-0.542)
FDI (FDI Inflows) +	2.44E-09**
	(2.129)
Economic Factors	
IR (Inflation Rate) +/-	0.036
	(0.420)
ER (Exchange Rate) +/-	-0.039
	(-0.381)
ME (Military Expenditure) +/-	0.212**
	(2.431)
GC (*Per capita* Income) -	-0.007
	(-0.757)
Constant	-5.800
	(-0.851)
Number of observations	44
R2	0.55
Adjusted R2	0.48
F-Value	4.531

t-statistics in parentheses

* p < .05

** p < .01

*** p < .001

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Table 4

Regression Estimates of Pooled Cross-Sectionand Panel Fixed Effect Models (GLS), SAARC (Dependent Variable: FDI Inflows)

Explanatory Variables/ Expected Signs	*Pooled Cross-Section GLS (N = 5)*
Globalization	
GI (Globalization Index) +	14396779***
	(2.801)
Infrastructure	
ICT (ICT Configuration) +	2.74E+08***
	(6.812)
HC (Human Capital) +	-13948619**
	(-2.110)
PG (Population Growth) +/-	-4.74E+08***
	(-3.905)
National Investment	
GDI (Gross Domestic Invest) +/_	-17095071
	(-0.941)
GE (Government Expenditure) +/-	-74223773
	(-5.250)
GDP Growth Rate +	3592527
	(0.325)
Economic Factors	
IR (Inflation Rate) +/-	-8765971
	(-1.194)
ER (Exchange Rate) +/-	-28097102***
	(-4.984)
ME (Military Expenditure) +/-	-15471545**
	(1.859)
GC (*Per capita* Income) -	-3119457***
	(-3.761)
Constant	3.06E+09***
	(4.586)
Number of observations	44
R2	0.89
Adjusted R2	0.85
F-Value	24.73

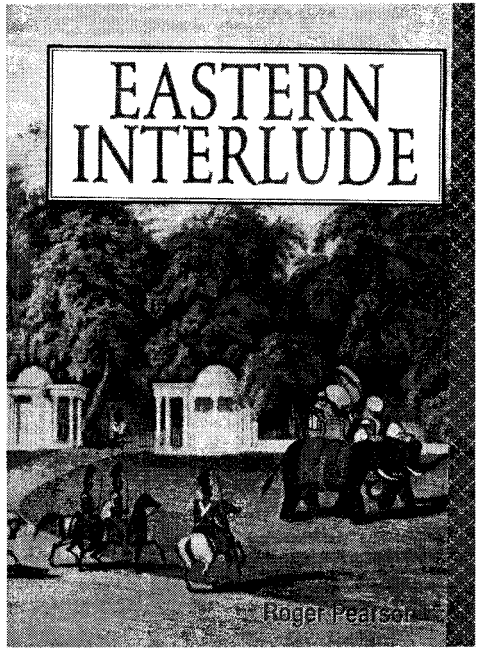
t-statistics in parentheses

* p < .05

** p < .01

*** p < .001

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



Eastern Interlude:

A Social History of the European Community in Calcutta

The European empires and colonies have been much condemned in recent decades, but in general they represented a humane and courageous creation of civilized settlements by a gallant and adventurous people - often opposed by corrupt and barbarous native rulers. This is a colorful account of British life in their capital city of Calcutta, from the date of its foundation in 1689 until 1911, when the capital was moved to New Delhi.

A most diverting and readable book ... amusing and vivid: it comes to life on every page (Times Literary Supplement).

A vivid picture of European social life in India ... free from prejudices and prepossessions (Hindustan Times).

Illustrated, with maps. Paperback. 4 illustrations. 1-878465-22-8

$22.00 – plus Postage $3.50 (USA) $5.50 (foreign)
Visa and Mastercard Welcome

Scott-Townsend Publishers
socecon@aol.com
P.O. Box 34070, N.W., Washington, D.C. 20043
TEL:(202) 371-2700 FAX:(202) 371-1523

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Management Turnover and Under-Investment in R&D: An Agency Theory Explanation for Under-Investment in Research and Development in some Corporations

Robert S. Graber[1]
University of Arkansas – Monticello

This paper provides an agency theory explanation for the apparent managerial myopia that is present in many corporations in the United States. The underlying premise of this research is that corporate managers may not really be short-sighted, but are in fact acting in what they perceive as their *personal* long-term best interests, rather than taking actions aimed at maximizing shareholders' wealth. Corporate managers may recognize, based on the experience of their predecessors, that their expected longevity with their current employers is limited. Therefore, they are likely to be reluctant to undertake any activities that will be costly to the firm in the short run, and can be expected to enrich the company only after a long period of time, when they may no longer be with their employer to share the rewards.

This research focuses on R&D because R&D expenditures are quantifiable, and because R&D expenditures are reported in the financial statements of publicly traded companies. However, the same arguments should be expected to be applicable to under-investment in other long-term ventures, such as employee training and the development of new markets.

The hypothesis of this study is that, all other things being equal, the greater the rate of turnover of senior managers, the smaller the percentage of revenue that a firm will invest in research and development. Management and CEO stock ownership can be expected to have a mitigating effect, since the greater the percentage of the firm that is owned by management, the more management's incentives should be aligned with those of other shareholders.

This study treats firm size and industry group as control variables. It was assumed that R&D investment decisions are likely to differ in different industries, and that firms of different sizes are likely to behave differently.

[1] Correspondence to: Dr. Robert S. Graber, College of Business, University of Arkansas, P.O. Box 3616, Monticello, AR 71656. graber@uamont.edu

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

In general, the results support the hypothesis that there is an inverse relationship between management turnover and R&D investment as a percentage of revenue. Out of a sample of 200 firms, the smallest 50 firms proved to be most sensitive to CEO turnover. Among the smaller firms the R&D/revenue ratio was either very high or very low. Among the 100 larger firms, the R&D/revenue ratio seemed to be most sensitive to turnover during the 1980s, rather than to more recent turnover.

Overall, these results seem to suggest that substantial investment in long-term ventures, such as research and development, is most likely to occur when there is the expectation of continuity among senior managers.

Key Words: Agency theory; Under-investment; R&D; Senior management; CEO; Technology rich industries.

Section I – Introduction

The objective of this paper is to propose that agency theory may explain the apparent myopia that may be manifested in under-investment in research and development in the United States, particularly in technology-intensive industries. The hypothesis under investigation is that managerial turnover may be one of the causes of this apparent myopia. To test this hypothesis, we conducted a number of econometric tests, such as measuring the correlation between the average annual rate of top management turnover and R&D expenditures as a percentage of gross revenue.

Under-investment in R&D may be one of the causes of the sluggish economic growth that the United States experienced in the 1980s, relative to other industrialized nations, and the resulting trade deficit. Therefore, from the standpoint of international economics as well as corporate finance, it is important to inquire into the causes of this under-investment and general short-term orientation. We look to agency theory, and specifically to management turnover, for a possible explanation.

It is noteworthy that the market appears to appropriately reward investment in R&D, especially in technology-intensive growth industries in which R&D expenditures have resulted in profitable new products in the recent past. While the market appears to be efficient in valuing R&D investment, many corporate managers seem to have an inappro-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

priately short planning horizon, as they under-invest in research and development, presumably to maximize their firms' short-term profitability. Therefore, corporate managers' behavior appears to be inconsistent with their responsibility to maximize shareholder wealth.

We suggest that under-investment in R&D does *not* indicate a lack of managerial foresight. On the contrary, managers may be thinking long term, but acting in their own long-term best interests, not that of shareholders. Based on the experience of their predecessors, many corporate managers may recognize the likelihood that their longevity with their current employers is limited. They conclude that they stand to gain little by taking actions that will benefit their employers only after they leave the firm. However, they can expect to be rewarded generously for increasing their employers' short-term profits. Ironically, many corporate managers, who are believed to have too short a planning horizon, seem to have sufficient foresight to realize they are likely to change employers before the long-term consequences of their decisions are realized.

Myopic behavior can take many forms, of which under-investment in R&D is only one. This research focuses on R&D for several reasons. As discussed above, R&D has implications not only for individual firms, but also for the entire economy. Also, R&D expenditures are disclosed in a company's audited financial statements, making inter-firm comparisons possible. Finally, R&D is intangible, so a manager's productivity with respect to R&D is not immediately recognizable.[2] Uncertainty exists regarding the success of a particular research project and the time it will take for completion.[3] R&D deals with products and processes not yet in existence, which makes estimates of future cash flows very difficult.

Therefore, the value of a manager's contribution to a firm by investing in R&D is unlikely to be recognized until a good deal of time has elapsed. A manager who expects to leave the firm in the foreseeable future may not expect to be rewarded for his or her investment in the

[2] By contrast, investments in tangible assets are easier to evaluate, and construction in progress can be observed.

[3] Ben-Zion (1984) discusses the uncertainty surrounding R&D.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

firm's R&D activities.

The remainder of this paper is organized as follows. Section II reviews the literature dealing with managerial incentives and longevity, and with the economic impact of R&D. Section III discusses the data and research methodology. Section IV discusses the empirical results. Section V concludes.

Section II – Prior Literature

Managers' tendency to act in their self-interest, rather than that of shareholders, may result in an inappropriately short-term orientation. This is discussed by Pinches (1981), Donaldson (1984), Holmstrom and Ricart I Costa (1986), Stein (1988), and Meulbroek, Mitchell, Mulherin, Netter and Poulson (1990).

Sometimes myopic behavior is explained in terms of risk-avoidance and anti-takeover activity. For example, Stein (1988) describes myopic behavior as an "invisible" form of anti-takeover activity: by increasing short-term profitability at the expense of long-term investment, management may be seeking to avoid a takeover attempt by reducing the potential profitability of the firm's stock to a corporate raider.

The literature also discusses the incentives provided by management compensation schemes, which often reward short-term results. Holmstrom and Ricart I Costa (1986) and Parks and Conlon (1995) discuss the problems of providing the proper incentives to managers. Holmstrom and Ricart I Costa point out that, since managerial effort is not observable, managers tend to be evaluated on the basis of short-term results.

The literature also discusses the consequences of this managerial myopia. Pinches (1981) shows that sub-optimal capital budgeting decisions can result when management's planning horizon is inappropriately short. Thakor (1990) discusses the continued use of payback as a tool for evaluating capital budgeting decisions. A possible explanation for the continued use of payback is that managers are only willing to invest in projects that they believe will be profitable during the time they expect to remain with their current employers.[4] Donaldson (1984)

[4] Because of its long-term nature, R&D has a relatively high payback period. Therefore, use of the payback method in capital budgeting may result in under-investment in R&D.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

maintains that managers tend to be motivated to maximize *visible* measures of success, such as quarterly sales or accounting profits.

Porter (1990) points out that, relative to firms in other nations, many U.S. corporations maintain a short-term perspective. He also points out[5] that since the bonus component of managerial compensation can be high, and average tenure in management positions is short, foregoing this year's bonus for a higher one next year is unusual. He also argues that, compared with other industrialized nations, U.S. firms invest too small a portion of their revenue in R&D.

Reichheld (1996) discusses the dangers inherent in short-term thinking, and the adverse impact of high employee and management turnover on productivity and profitability. He states[6] that in high-turnover corporations, it "probably makes more sense for employees at every level to spend part of each workday figuring out how to maximize their own careers, searching for safety nets or better opportunities elsewhere." He also discusses how some low-turnover firms, enhance their productivity by aligning the incentives of managers and employees with those of the company.

Reichheld addresses the recent increase in managerial turnover. He attributes some of this increase to involuntary turnover resulting from "impatience with managers who don't meet short-term goals." He also explains how voluntary turnover will increase when "managers themselves see no reason to stick with a business through its inevitable ups and downs....In either case, the end result is poor continuity, limited planning and investment horizons, and a slide back down the productivity and learning curves. Managers who see little chance that they will still be with a company three or four years hence are less likely to invest in the future than to concentrate on highly measurable short-term accomplishments that will embellish their resumes."[7]

There is substantial literature (e.g., Ingram, 1970; Carter, 1971; Coughlin and Schmidt, 1985; Hom and Griffith, 1995; Huselid, 1995;

[5] Porter, Michael, *Comparative Advantage of Nations*, New York: Macmillan Inc., 1990, p. 111.

[6] Reichheld, Frederick F., *The Loyalty Effect*, Boston, MA: Harvard Business School Press, 1996, p. 94.

[7] *ibid.*, pp. 156-157.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Lee, Mitchell, Wise and Fireman, 1996) dealing with factors that influence voluntary turnover. The fact that an organization's policies, or corporate culture, influence voluntary turnover is relevant to this study, as it supports the idea that a manager can use the firm's history of turnover, whether voluntary or involuntary, to estimate his or her expected tenure. This is likely to influence the manager's planning horizon, and therefore the level of R&D investment.

There is also substantial literature (e.g., Ben-Zion, 1978; Bernstein and Nadiri, 1978; Ben-Zion, 1984; Griliches, 1984; Jarrell, 1985; McConnell and Muscarela, 1985; Jose, Nichols and Stevens, 1986; Cockburn and Griliches, 1988; Levin, 1988; Chan, Martin and Kensinger, 1990; Hirschey, 1992; Jovanovic, 1993; Henriques, 1994; Kelm, Narayanan and Pinches, 1995) dealing with the market's response to changes in a firm's level of R&D investment. The studies found that the market responds favorably to increases in R&D investment, particularly in industries that have a recent track record of commercial success in the development of new products and processes. Ben-Zion (1978) found empirical evidence that the value of a firm's common stock is positively correlated with R&D expenditures. Ben-Zion (1984) also found that *unexpected* changes in R&D investment had the greatest impact on a firm's market value. These studies indicate that the market assigns a positive value to increases in R&D investment. Cockburn and Griliches (1988) found that the market values R&D investment and patents differently in different industries. R&D is valued most highly in industries in which such investment has proven itself profitable in the recent past. (We refer to such industries as "R&D-intensive.") Levin (1988) found that the appropriability (free-rider problem) of R&D is enhanced by the mobility of employees. This supports the idea that companies will invest less in R&D when there is high turnover.

Chan, Martin and Kensinger (1990) found that the market generally responds favorably to announcements of increases in R&D expenditures, even when there are simultaneous announcements of decreases in net earnings. The favorable market response was most pronounced in the pharmaceutical, electronics, information processing, instruments, semiconductors, and telecommunications industries.

The evidence suggests that the market interprets R&D increases as

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

indicative of future growth opportunities and increases in shareholder wealth. The market is *not* myopic, but is fairly efficient in evaluating expectations of future earnings. The common theme is that the market rewards long-term planning, and responds favorably to productive R&D activities.

Dechow and Sloan (1991) studied the impact of CEO changes on R&D investment, and the mitigating effect of executive stock ownership. Their hypothesis was that executive compensation tied to short-term accounting profits (earnings per share) encourages managers to maintain a short planning horizon, resulting in reduced R&D investment, and that this short-term orientation becomes more pronounced as a CEO's tenure in office nears its end.

They predicted that a firm will spend less on R&D during a CEO's final year in office, and that this short-term orientation will be mitigated to the extent that the CEO's compensation package includes stock in the company. Their research supported their hypothesis, as R&D expenditures dropped by 3-4% on average during the CEO's final year. There was some positive autocorrelation in the residuals, suggesting that R&D expenditures decrease gradually prior to the CEO's departure. They also found that, as the CEO's stock ownership increases, the degree by which R&D expenditures drop during the CEO's final year decreases. This suggests that, to the extent that a manager is also an owner, the manager's incentives are aligned with those of the firm.

While there are some similarities, there are also some significant differences between the Dechow and Sloan study and the research undertaken in this study. While Dechow and Sloan treat R&D investment as a function of current turnover, we treat R&D investment as a function of turnover in previous years, which we assume will influence managers' expectations of future turnover. Also, we look at turnover of all senior managers, not just the CEO. Third, Dechow and Sloan used *Forbes* as its source of data, which is likely to have biased their sample in favor of larger firms, for whom management turnover is more frequently reported. By contrast, we used *Moody's Stock Guides*, which contain information about all publicly traded companies.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Section III – Empirical Research

IIIa – Data Selection

We selected those industries that, based on the literature review, were found to be most R&D-intensive. Those industries included in the study were the pharmaceutical, computer, electronics and telecommunications industries. Using Compact Disclosure, lists were drawn up of all publicly traded companies whose primary industry classification (by SIC code) was one of those R&D-intensive industries.

After eliminating firms that had not filed annual reports for at least the ten most recent years, firms that had gone out of business, merged with other firms or changed industries, 243 firms remained eligible for inclusion. 28 more firms were eliminated because their industry subcategory (based on their four-digit SIC code) was inappropriate for R&D investment. Fourteen firms were eliminated because the narrative description of their business indicated that, SIC code notwithstanding, their lines of business were not R&D-intensive. Finally, one firm was deleted from the sample because it had no revenue, which made the R&D/revenue ratio meaningless.

Using *Moody's Stock Guides* for each year from 1990 through 1995, a list of senior executive officers of each firm during each year was compiled.[8] Then the turnover rate was computed by treating each senior officer who was listed one year and not listed the following year as a unit of turnover, and dividing the number of turnover units each year by the number of senior managers listed. Then the arithmetic mean was computed to obtain the average annual turnover rate for each firm.

Separate rates were computed in this manner for total senior management turnover, 1980s senior management turnover, 1990s senior management turnover and CEO turnover. Audited financial statements were obtained for all of the companies included in the sample. From these financial statements we extracted R&D expenditures, total revenue, total assets, the percent of each firm's equity owned by

[8] Senior executive officers were defined as either the top five executive officers listed by the firm, or all who held the rank of senior vice president or above, whichever was the greater number. For consistency, if any of the top five people held a rank below senior vice president (e.g., vice president), then everyone of that rank was included.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

corporate insiders (executive officers and directors and their immediate families), and the percent of the company's common stock owned by the Chief Executive Officer. In each case, we took the average amount for the most recent three years, to prevent distortions due to one-time anomalies.

One firm, Copytele, was deleted from the sample at this stage. This was because Copytele had no revenue during the three years under observation, yet had spent a total of $6.81 million on R&D during that time. Therefore, the R&D/revenue ratio would have been infinite.

However, Copytele may provide useful anecdotal evidence in support of our hypothesis. The firm had very low management turnover, and absolutely no CEO turnover during the entire period under observation. Also, the firm's CEO and other executive officers waived all cash compensation, and were compensated only with stock and stock options. The firm's officers and directors owned 26.5% of the firm's common stock.

The reason turnover data was collected from an earlier time period than were other data is that the hypothesis of this study is that managers base their R&D investment decisions on *expectations* of turnover, and that such expectations are based on *past* turnover. Also, as discussed by Spector (1981), using different time periods virtually eliminates the risk of reverse causality.

IIIb – Potential Problems with the Data

Given the nature of the reported data, there is significant unavoidable risk of measurement error. Most problematic is the measurement of management turnover, based on the names of executive officers reported in *Moody's* annually. Firms have considerable discretion as to which, and how many, officers to report. Some firms in our sample reported three executive officers, others reported twenty. Firms did not necessarily report the same number of executive officers each year. If a firm reported an executive officer one year, but not in subsequent years, that would be treated as turnover. Yet we cannot be certain that the firm did not simply cut down on the number of executive officers reported, without actually terminating the employment of those officers no longer reported. The number of executive officers reported can distort the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

turnover measure. A firm that reports twenty officers per year is more likely to show turnover than one that reports only three officers.

Also, the decision rule employed in this study was to record the top five executive officers or Senior Vice Presidents and above, whichever was the larger amount. Of course, firms have discretion in assigning titles. A Vice President at one firm may have the same authority and responsibility as a Senior Vice President at another firm.

This is one reason that we decided to include CEO turnover as a separate exogenous variable. While a firm has considerable discretion regarding the number of senior executive officers that it reports, virtually all firms have one CEO.

There is also some ambiguity regarding the definition of R&D expenditures. Using the firm's financial statements, it is not possible to distinguish between pure and applied R&D, although the benefits of pure R&D are unlikely to be realized for a very long period of time. Consequently, pure R&D may indicate of a longer planning horizon than applied R&D, and therefore should be more sensitive to expectations of turnover.

Furthermore, the disclosure of R&D investment by the firm gives no indication of whether or not the R&D was subsidized by the federal government, or by some other organization, yet this can have a major impact on a firm's R&D investment decision. Also, some firms engage in joint ventures to conduct R&D, which can have a major influence on the firm's cost-benefit trade-off.

There may be considerable overhead expenses and other indirect costs related to R&D. R&D may create the need for more employee training and greater efforts by human resources departments to screen applicants. R&D activities may create a need for higher salaries and more overtime pay. Some overhead expenses are likely to be fixed costs while others may be discretionary costs that the company could avoid by reducing, or by not increasing, its level of R&D. There is discretion in how these costs are reported. Some firms include these indirect costs as part of their R&D expenditures, while others do not.

Even with respect to insider stock ownership (a control variable), there is some unavoidable ambiguity. The figure that firms report includes stock owned by executive officers, directors and their families.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Some directors are not employed by the firm, and may have little or no influence on the level of R&D undertaken by the firm. Likewise, family members of officers and directors, although they hold stock, may have no influence on the investment decisions of the firm. While it stands to reason that an executive officer who owns considerable stock in a company has a strong incentive to act in the firm's long-term best interests, it is not always clear that stock owned by a family member provides the same incentive.

To some extent, including stock held by the CEO as an additional control variable should help to mitigate this ambiguity. Like CEO turnover, CEO stock ownership should prove more easily quantifiable than overall insider stock ownership.

We recognize the risk that these sources of ambiguity may have reduced the reliability of the data, and may have reduced the level of statistical significance of our regression results. However, with a sample of 200 firms, the Law of Large Numbers provided some consolation. On average, it seems likely that firms that appear to have lower turnover did in fact have lower turnover, and firms that appear to have higher R&D/revenue ratios did in fact have higher R&D/revenue ratios. While it is highly probable that ambiguities in the data caused the regression results to be less statistically significant than they would have been with more reliable data, we can take comfort in the fact that the inverse correlation found between management (and CEO) turnover and R&D/revenue supports the hypothesis underlying this study.

IIIc – Empirical Study

This study performed a number of least squares regressions, treating the measures of management and CEO turnover as exogenous variables and treating the R&D/revenue ratio as the endogenous variable. The OLS model was chosen because of its relative simplicity, and because such a model was expected to accurately estimate actual corporate investment behavior. Management stock ownership and CEO stock ownership were treated as control variables.[9]

[9] Although it was initially assumed that turnover and insider (and CEO) stock ownership were independent, we discovered that they were in fact inversely correlated. This is discussed in greater detail in Section IV.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Asset size also was treated as a control variable, as it was conjectured that the behavior of large and small firms would differ. On the one hand, it was considered plausible that, due to the benefits to be derived from economies of scale, a larger firm would invest a higher percentage of its revenue in research and development than would a smaller firm. On the other hand, economies of scale might enable a larger firm to invest a smaller percent of its revenue in R&D and receive the desired benefits. Smaller firms might need to invest a larger percent of their revenue in R&D to develop patentable products or processes or other substantial benefits. Therefore, the impact of firm size on the R&D/revenue ratio could not be predicted *a priori.*[10]

Finally, dummy variables representing specific R&D-intensive industries were also included as control variables. This is because it seemed plausible that firms in different industries might find it optimal to invest different portions of their revenue in R&D, irrespective of their management turnover rates, insider stock ownership or asset size.

The *a priori* hypothesis of this study is that the coefficients of the various measures of turnover are negative. This hypothesis reflects the premise under investigation, which is that there is an inverse relationship between turnover and R&D investment.

While the other exogenous variables are included as control variables in order to keep other factors equal to the extent possible, this research focuses on the relationship between managerial turnover and R&D investment. It could be said that the null hypothesis is that the coefficients of management turnover are non-negative, while the alternate hypothesis is that the coefficients of turnover are negative.

We expected to find a statistically significant inverse relationship between management and CEO turnover and the R&D/revenue ratio when controlled for firm size, principal industry and the percent of stock owned by management and by the CEO. This would confirm our hypothesis that under-investment in R&D may be a manifestation of the

[10] Preliminary regressions demonstrated that the relationship between asset size and the R&D/revenue ratio was not linear, but that small firms behaved differently from large firms in general. Therefore, asset size was broken down by quartiles, and dummy variables were used to represent each quartile. This is discussed in greater detail in Section IV.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

agency problem, and that the shorter the time that managers expect to remain with their employers, the shorter their planning horizon is likely to be, and the less likely they are to maximize the long-term wealth of the firm.

Section IV – Results

Preliminary regression results demonstrated an inverse relationship between the R&D/revenue ratio and each of the four measures of turnover. However, only the relationship between CEO turnover and R&D/revenue was statistically significant. We also found that, while CEO turnover had the greatest explanatory power with respect to small firms (lowest quartile with respect to asset size), 1980s turnover had the greatest explanatory power with respect to large firms (top two quartiles for asset size). 1990s turnover was found to have relatively little explanatory power. We therefore used 1980s turnover, CEO turnover or both as exogenous variables in subsequent regressions.

IVa – Combined Effects of 1980s and CEO Turnover

We regressed the R&D/revenue ratio on both 1980s and CEO turnover. Equation (4.1) regresses R&D/revenue on 1980s turnover and CEO turnover. Equation (4.2) includes the dummy variables representing the first three quartiles of asset size.[11] Equation (4.3) adds management stock ownership and CEO stock ownership as exogenous variables. Equation (4.4) also includes dummy variables representing the pharmaceutical and computer industries. Table IV-1 shows the regression results when both 1980s turnover and CEO turnover are included together as exogenous variables.[12]

$$(4.1)\quad R\&D/Rev = A + B_1T_{80} + B_2T_{CEO} + e.$$

$$(4.2)\quad R\&D/Rev = A + B_1T_{80} + B_2T_{CEO} + B_3Q_1 + B_4Q_2 + B_5Q_3 + e.$$

[11] After running a number of preliminary regressions, we found that the relationship between asset size and R&D/revenue was not linear, nor could it be described accurately by a logarithmic, parabolic or hyperbolic function. We determined that it could best be described by dummy variables representing quartiles.

[12] In Tables IV-1 through IV-5, the first number represents the correlation coefficient B_n, and the number in parentheses below each coefficient represents the relevant t-statistic.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

$$(4.3)\quad R\&D/Rev = A + B_1T_{80} + B_2T_{CEO} + B_3Q_1 + B_4Q_2 + B_5Q_3 + B_6S + B_7S_{CEO} + e.$$

$$(4.4)\quad R\&D/Rev = A + B_1T_{80} + B_2T_{CEO} + B_3Q_1 + B_4Q_2 + B_5Q_3 + B_6S + B_7S_{CEO} + B_8D_1 + B_9D_2 + e.$$

The regression results show a statistically significant inverse relationship between CEO turnover and R&D/revenue, and that the level of significance increases as we incrementally control for other exogenous variables. In particular, when we control for asset size, the inverse relationship becomes much more significant. We also find a significant inverse relationship between firm size and R&D/revenue, but this relationship is not linear. In fact, this relationship is very significant only for the first quartile of asset size, which represents the fifty smallest firms.[13]

When cross-tabulations were run, it was found that the smallest firms had either very high, or very low, levels of R&D investment. For the 150 larger firms, there does not appear to be a significant relationship between firm size and R&D/revenue. It is plausible that, for smaller firms, a sizable portion of their revenue must be invested in R&D to yield any appreciable result. Smaller firms lack the benefit of economies of scale available to larger firms, so they are forced to devote a larger percentage of their revenue to R&D to achieve the benefits that larger firms could obtain more cheaply.

Also, the R&D/revenue ratio was observed to be particularly sensitive to CEO turnover in the smaller firms. It seems logical that a CEO of a small firm will only invest a large portion of the firm long enough to benefit from the eventual increased profits likely to result from the R&D expenditures. Also, it seems plausible that the CEO has greater autonomy in smaller firms, and can more easily make unilateral decisions regarding the amount of R&D investment in which the firm is to engage.

We also observe that, when we control for management and CEO stock ownership, the inverse relationship between CEO turnover and R&D/revenue becomes even more pronounced. We can see that turnover and insider stock ownership are not independent, but are in fact

[13] When the R&D/revenue ratio was regressed on asset size within each quartile, no statistically significant relationship was found.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

negatively correlated. In fact, the observed relationship between management stock ownership and R&D/revenue is most likely the result of the correlation between management turnover and stock ownership (the multicollinearity problem).

Table IV-1

R&D/Revenue as a Function of 1980s Turnover, CEO Turnover, Asset Size, Management and CEO

Variable	*(4.1)*	*(4.2)*	*(4.3)*	*(4.4)*
Intercept	0.167277	0.132065	0.157526	0.122599
	(2.785)	(1.757)	(2.068)	(1.414)
T_{80}	0.160923[14]	0.252085	0.208513	0.212497
	(0.352)	(0.54)	(0.448)	(0.457)
T_{CEO}	-1.298	-0.512351	-0.57467	-0.583113
	(-0.1957)	(-1.627)	(-1.8)*	(-1.82)*
Q_1		0.165681	0.253478	0.263741
		(1.97)*	(2.743)***	(2.847)***
Q_2		0.021882	0.068782	0.071383
		(0.254)	(0.78)	(0.809)
Q_3		-0.039616	-0.012797	-0.011518
		(-0.468)	(-0.151)	(-0.135)
S			-0.551942	-0.556644
			(-2.039)**	(-2.054)**
S_{CEO}			0.25901	0.269586
			(0.555)	(0.578)
D_1				0.013069
				(1.38)
D_2				-0.033944
				(-0.567)

* Statistically significant at the 10 percent level.

** Statistically significant at the 5 percent level.

*** Statistically significant at the 1 percent level.

[14] The apparent positive correlation between 1980s turnover and the R&D/revenue ratio is likely to be the result of the fact that 1980s turnover and CEO turnover are themselves correlated. When only 1980s turnover is regressed on R&D/revenue, a negative correlation is found.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IVb – Effects of 1980s Turnover and Interactive Variables

We next created interactive variables that combined the effects of turnover and firm size. Each interactive variable is the product of a turnover percentage and a quartile dummy variable.

We first ran a series of regressions with interactive variables combining the effects of 1980s turnover and firm size. Since 1980s turnover was found to have the greatest impact on larger firms, interaction between 1980s turnover and dummy variables representing the second, third and fourth quartiles were observed. CEO turnover was excluded from these regressions.

Equation (4.5) regresses R&D/revenue on 1980s turnover, the first three quartile dummy variables, interactive variables representing the product of 1980s turnover and the top three quartile dummy variables. Equation (4.6) also includes management stock ownership as an exogenous variable. Equation (4.7) adds dummy variables representing the pharmaceutical and computer industries.

Table IV-2 shows the regression results when 1980s turnover and interactive variables combining 1980s turnover with asset size are treated as exogenous variables. The results indicate that, when regressions are performed on the entire sample of 200 firms, a statistically significant relationship between 1980s turnover and R&D/revenue cannot be found. However, as we will see in Section IV.4, *when similar regressions are performed on only the 100 larger firms, the inverse relationship between 1980s turnover and R&D/revenue becomes much more pronounced.*

(4.5) $R\&D/Rev = A + B_1T_{80} + B_2T_{CEO} + B_3Q_1 + B_4Q_2 + B_5Q_3 + B_6T_{80}{}^*Q_2 + B_7T_{80}{}^*Q_3 + B_8T_{80}{}^*Q_4 + e.$

(4.6) $R\&D/Rev = A + B_1T_{80} + B_2T_{CEO} + B_3Q_1 + B_4Q_2 + B_5Q_3 + B_6T_{80}{}^*Q_2 + B_7T_{80}{}^*Q_3 + B_8T_{80}{}^*Q_4 + B_9S + e.$

(4.7) $R\&D/Rev = A + B_1T_{80} + B_2T_{CEO} + B_3Q_1 + B_4Q_2 + B_5Q_3 + B_6T_{80}{}^*Q_2 + B_7T_{80}{}^*Q_3 + B_8T_{80}{}^*Q_4 + B_9S + B_{10}D_1 + B_{11}D_2 + e.$

IVc – Effects of CEO Turnover and Interactive Variables

Next we run regressions in which CEO turnover and interactions of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

CEO turnover and asset quartile dummy variables were included as exogenous variables, and the turnover of other executive officers was excluded. Equation (4.8) regresses the R&D/revenue ratio on CEO turnover, the asset quartile dummy variables, and interactive variables that are the product of CEO turnover and asset quartile dummy variables. Equation (4.9) includes CEO stock ownership as an exogenous variable. Equation (4.10) also includes dummy variables representing the pharmaceutical and computer industries.

Table IV-2

R&D/Revenue as a Function of 1980s Turnover, Asset Size, Interactive Variables, Management Stock Ownership, and Industry Group

Variable	*(4.5)*	*(4.6)*	*(4.7)*
intercept	0.125796	0.150089	0.112139
	(0.864)	(1.035)	(0.728)
T_{80}	0.390074	0.299164	0.329668
	(0.444)	(0.342)	(0.377)
Q_1	0.090612	0.16518	0.18062
	(0.497)	(0.893)	(0.973)
Q_2	0.010215	0.043958	0.063057
	(0.055)	(0.238)	(0.34)
Q_3	-0.031269	0.00328	0.014379
	(-0.169)	(0.018)	(0.078)
$T_{80}*Q_2$	-0.459792	-0.408363	-0.488221
	(-0.405)	(-0.363)	(-0.433)
$T_{80}*Q_3$	-0.589241	-0.685805	-0.713463
	(-0.479)	(-0.561)	(-0.583)
$T_{80}*Q_4$	-0.686059	-0.441	-0.399
S		-0.406787	-0.408168
		(-1.981)*	(-1.983)*
D_1			0.012079
			(1.255)
D_2			-0.041839
			(-0.689)
R^2	0.0301	0.0497	0.06
adjusted R^2	0.0052	0.0099	0.01
F-value	0.852	1.248	1.206

*Statistically significant at the 5 percent level.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Table IV-3

Effect on R&D/Revenue Ratio of CEO Turnover, Asset Size, Interactive Variables, CEO Stock Ownership and Indstry Group

Variable	*(4.8)*	*(4.9)*	*(4.10)*
intercept	0.104735	0.11078	0.074812
	(1.116)	(1.18)	(0.72)
T_{CEO}	-0.060889	-0.84442	-0.098147
	(-0.095)	(-0.131)	(-0.153)
Q_1	0.306191	0.349995	0.37313
	(2.408)**	(2.649)***	(2.817)***
Q_2	0.020261	0.050162	0.045306
	(0.154)	(0.374)	(0.338)
Q_3	-0.036106	-0.019671	-0.31816
	(-0.274)	(-0.149)	(-0.241)
$T_{CEO}*Q_1$	-1.116113	-1.214272	-1.302967
	(-1.393)	(-1.51)	(-1.622)
$T_{CEO}*Q_2$	0.072861	-0.029633	0.039266
	(0.083)	(-0.034)	(0.045)
$T_{CEO}*Q_3$	0.094648	0.048193	0.195546
	(0.097)	(0.049)	(0.199)
S_{CEO}		-0.426169	-0.424657
		(-1.206)	(-1.205)
D_1			0.015121
			(1.588)
D_2			-0.048371
			(-0.79)

*Statistically significant at the 10 percent level.
**Statistically significant at the 5 percent level.
***Statistically significant at the 1 percent level.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

$$(4.8)\quad R\&D/Rev = A + B_1T_{CEO} + B_2Q_1 + B_3Q_2 + B_4Q_3 + B_5T_{CEO}{}^*Q_1 + B_6T_{CEO}{}^*Q_2 + B_7T_{CEO}{}^*Q_3 + e.$$

$$(4.9)\quad R\&D/Rev = A + B_1T_{CEO} + B_2Q_1 + B_3Q_2 + B_4Q_3 + B_5T_{CEO}{}^*Q_1 + B_6T_{CEO}{}^*Q_2 + B_7T_{CEO}{}^*Q_3 + B_8S_{CEO} + e.$$

$$(4.10)\quad R\&D/Rev = A + B_1T_{CEO} + B_2Q_1 + B_3Q_2 + B_4Q_3 + B_5T_{CEO}{}^*Q_1 + B_6T_{CEO}{}^*Q_2 + B_7T_{CEO}{}^*Q_3 + B_8S_{CEO} + B_9D_1 + B_{10}D_2 + e.$$

Table IV-3 shows the regression results when CEO turnover and interactive variables combining CEO turnover with asset size are included in the regression equations. ***The results demonstrate an inverse relationship between CEO turnover and R&D/revenue, which is intensified for small firms. We also find that, on average, smaller firms invest a larger percentage of their revenue in research and development.***

It is noteworthy that, when only the first-quartile dummy variable and first-quartile interactive variable are included in the regression equation, the results become much more significant. Equation (4.11) excludes the second and third quartile dummy variables and interactive variables from Equation (4.10). Table IV-4 shows the regression results, and illustrates the increase in statistical significance derived from using only first-quartile dummy and interactive variables in our regression equation.

$$(4.11)\quad R\&D/Rev = A + B_1T_{CEO} + B_2Q_1 + B_3T_{CEO}{}^*Q_1 + B_4S_{CEO} + B_5D_1 + B_6D_2 + e.$$

These results indicate that smaller firms are much more sensitive to CEO turnover than are larger firms. In particular, we see that R&D/revenue is highest in small firms with little or no CEO turnover. It seems plausible that the CEO has the most autonomy in small firms, and can make unilateral decisions regarding the level of R&D investment to be undertaken.

IVd – Effects of 1980s Turnover on Large Firms

Larger firms seem relatively insensitive to CEO turnover, but more responsive to 1980s turnover. We demonstrate this by running a regression on the larger 50% (100 firms) of our sample. Equation (4.12) regresses R&D/revenue on 1980s turnover, CEO turnover, CEO stock

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ownership, and total management stock ownership. The results are shown in Table IV-5.

(4.12) $R\&D/Rev = A + B_1T_{80} + B_2T_{CEO} + B_3S_{CEO} + B_4S + e.$

It appears that, in larger firms, the R&D investment decision tends not to be made unilaterally by the CEO, but is likely to be shared by the senior executive officers. The evidence further suggests that the R&D investment decision is influenced by expectations of turnover among the senior executive officers.

Table IV-4

Effect on R&D/Revenue of CEO Turnover, CEO Stock Ownership, First-Quartile Dummy and Interactive Variables, and Industry Group

Variable	*(4.11)*
intercept	0.075597
	(1.09)
T_{CEO}	0.000877
	(0.002)
Q_1	0.368786
	(3.562)*
$T_{CEO}*Q_1$	-1.39189
	(-2.293)*
S_{CEO}	-0.393943
	(-1.151)
D_1	0.014948
	(1.585)
D_2	-0.047573
	(-0.794)
R^2	0.0778
adjusted R^2	0.0491
F-value	2.712*

*Statistically significant at the 5 percent level.
**Statistically significant at the 1 percent level.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

To understand why 1980s turnover has more of an impact on the investment decision than more recent turnover, we must remember that expectations *of turnover are subjective, and based on managers' perceptions. We can logically expect to find a time lag between changes in the external environment and changes in subjective expectations. It seems logical that this lag will be longer in large firms, where it takes longer for new information to be disseminated. Thus, even when a firm's attitudes and policies toward management retention have changed, managers may base their perceptions, expectations and behavior more on former policies than on current policies.*

Table IV-5

R&D/Revenue in the Larger 100 Firms as Function of 1980s Turnover, CEO Turnover, CEO Stock Ownership & Management Stock Ownership

Variable	*(4.12)*
intercept	0.113001
	(0.6568)
T_{80}	-0.276203
	(-2.255)*
T_{CEO}	0.054073
	(0.63)
S	-0.122298
	(-1.026)
S_{CEO}	0.104307
	(0.559)
R^2	0.0581
adjusted R^2	0.018
F-value	1.449

*Statistically significant at the 5 percent level.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

V – Conclusion

Although the regression results were not as statistically significant as we had hoped, they do suggest that there is likely to be an inverse relationship between the turnover of senior management, especially the CEO, and R&D as a percent of revenue. We found that this relationship is most pronounced in small firms. This might be because a CEO is likely to have more autonomy in smaller firms. Also, small firms lack the benefit of economies of scale, and must invest a greater portion of their revenue in R&D to reap the rewards of such investments. A small firm must forego a larger amount of short-term profits to benefit from R&D. This trade-off is likely to be attractive only to a CEO who expects to remain with the firm when the benefits of R&D are attained.

Information about the behavior of smaller firms may prove particularly valuable. Our sample consisted only of publicly traded companies, for which audited financial data is publicly available. We can speculate that the investment behavior of smaller publicly traded firms is likely to resemble that of private corporations and limited partnerships, about which such information is not directly available.

Also, many of the studies in the literature focus on the behavior of larger firms, about which information is more readily available. It may provide a contribution to the financial literature to have more information about the investment behavior of smaller firms.

The regression results show an inverse relationship between management turnover and management stock ownership, and between CEO turnover and CEO stock ownership.[15] Some of this turnover may be voluntary. It might be argued that compensating managers with stock might motivate them to stay with their current employer, and to take more of an interest in their firm's long-term well-being. It is also possible that, in firms with low turnover, managers expect to remain with the firm for a longer period of time, and therefore develop more loyalty and take a stronger interest in the long-term well-being of the firm. Such managers are more likely to buy stock in the company, or to negotiate

[15] The inverse relationship between CEO turnover and CEO stock ownership was found to be statistically significant at the 0.2 percent level.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

employment contracts that include stock or stock options.[16]

In general, the regression results proved more significant with respect to CEO turnover than with respect to overall senior management turnover. This may be due to the fact that CEO turnover is less subject to measurement error. As discussed in Section III, companies have considerable discretion regarding how many and which senior managers they report to *Moody's*. Since firms have only one CEO, the CEO turnover figures are likely to be more reliable.

Measurement error also may account for the relatively low levels of statistical significance in some of the regression equations. As previously discussed, firms have considerable discretion in defining R&D expenditures. There also may be considerable measurement error regarding management stock ownership. No distinction is made between stock owned by officers, outside directors, and their family members. CEO stock ownership should be more reliable, as it is based on information reported directly by the CEO.

We should remember that, while the regressions dealt exclusively with R&D investment, which is quantifiable and publicly reported, the theory is applicable to any long-term investment decision, and to maintaining a long planning horizon in general. While the data may not be available for empirical testing, it seems logical that a firm with a large amount of turnover will invest less in employee training, developing new markets, or other activities likely to be rewarded only after the passage of a substantial amount of time. So management turnover may be a cause of myopic behavior by corporate managers in general.

Furthermore, while data was only available for top management, and CEO data was the most reliable, the theoretical model should be applicable at all levels of an organization. This may not be easily testable, but we can infer that all employees are likely to be influenced by their expectations regarding the length of their employment with their current employers. Those who expect to remain for a long period of time are more likely to be concerned with the well-being of their

[16] While no causal relationship can be inferred with certainty from this inverse correlation, it should be remembered that management and CEO turnover was based on data from 1980 through 1995, while only the most recent data was used to determine stock ownership.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

employer.

Va. Directions for Future Research

There appear to be many opportunities to further test the hypothesis of an inverse relationship between management turnover and R&D and other long-term ventures. Data could be gathered and analyzed for other time periods (e.g., 1980s R&D as a function of 1970s turnover), other industries, and other countries. Perhaps a time series analysis also would prove useful, to test for a lagged relationship between turnover and R&D/revenue within an industry.

We also might model turnover expectations to take into account turnover within an industry as well as in each individual company. It is plausible that expectations may be based not only on a firm's individual history of turnover, but also on that of the industry. Future researchers may have access to turnover data unavailable to this study, making it possible to quantify turnover at various levels within an organization. Future researchers also may have access to data regarding expenditures on other long-term projects.

Such future research might prove valuable not only to the financial and economic literature, but also to other academic disciplines, such as management science and organizational behavior.

References

Ben-Zion, Uri,

1978 "The Investment Aspects of Non-Productive Expenditures: An Empirical Test," *Journal of Economics and Business*, Vol. 30, 1978, pp. 224-229.

Ben-Zion, Uri,

1984 "The R&D and Investment Decision and its Relationship to the Firm's Market Value: Some Preliminary Results," in Zvi Griliches, ed., *R&D, Patents and Productivity*, Chicago: University of Chicago Press, 1984, pp. 299-314.

Bernstein, Jeffrey J. and M. Ishaq Nadiri,

1988 "Interindustry R&D Spill-overs, Rates of Return, and Production in High-Tech Industries," *American Economic Association Papers and Proceedings*, Vol. 78, 1988, pp. 429-434.

Carter, Eugene,

1971 "The Behavioral Theory of the Firm and Top Level Corporate Decisions," *Administrative Science Quarterly*, Vol. 16, 1971, pp. 413-428.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Chan, Su Han, John D. Martin and John W. Kensinger,

1990 "Corporate Research and Development and Share Value," *Journal of Financial Economics*, Vol. 26, 1990, pp. 255-276.

Cockburn, Iain and Zvi Griliches,

1988 "Industry Effects and Appropriability Measures in the Stock Market's Valuation of R&D and Patents," *American Economic Association Papers and Proceedings*, Vol. 78, 1988, pp. 419-423.

Coughlin, Anne T. and Ronald M. Schmidt,

1985 "Executive Compensation, Management Turnover, and Firm Performance: An Empirical Investigation," *Journal of Accounting and Economics*, Vol. 7, 1985, pp. 43-66.

Dechow, Patricia M. and Richard G. Sloan,

1991 "Executive Incentives and the Horizon Problem," *Journal of Accounting and Economics*, Vol. 14, 1991, pp. 51-89.

Donaldson, G.,

1984 *Managing Corporate Wealth*: The Operation of a Comprehensive Financial Goals System, New York: Praeger, 1984.

Efron, Bradley and Carl Morris,

1977 "Stein's Paradox in Statistics," *Scientific American*, Vol. 236, May 1977, pp. 119-127.

Fama, Eugene F.,

"Agency Problems and the Theory of the Firm," *Journal of Political Economy*, Vol. 88, 1980, pp. 288-307.

Gilson, Stuart C.,

1989 "Management Turnover and Financial Distress," *Journal of Financial Economics*, Vol. 25, 1989, pp. 241-262.

Gollier, Christian and Richard J. Zeckhauser,

1995 "Time Horizon Length and Risk Aversion," Universite de Toulouse Working Paper, July 1995.

Griliches, Zvi,

1984 "Market Value, R&D, and Patents," in Zvi Griliches, ed., *R&D, Market Value and Productivity*, Chicago: University of Chicago Press, 1984, pp. 249-252.

Grossman, Sanford J. and Oliver D. Hart,

1983 "An Analysis of the Principal-Agent Problem," *Econometrica*, Vol. 51, 1983, pp. 7-45.

Hatsopoulos, George N., Paul R. Krugman and Lawrence H. Summers,

1988 "U.S. Competitiveness: Beyond the Trade Deficit," *Science*, July 15, 1988, pp. 299-307.

Henriques, Irene,

1994 "Do Firms Free-ride on Rivals' R&D Expenditure? An Empirical Analysis," *Applied Economics*, Vol. 26, 1994, pp. 551-562.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Hirschey, Mark,
1992 "Intangible Capital Assets of Advertising and R&D Expenditures," *Journal of Industrial Economics*, Vol. 30, 1992, pp. 375-390.

Holmstrom, Bengt and Joan Ricart i Costa,
1986 "Managerial Incentives and Capital Management," *Quarterly Journal of Economics*, Vol. 101, 1986, pp. 835-860.

Hom, Peter W. and Roger W. Griffith,
1995 *Employee Turnover*, Cincinnati: South-Western Publishing, 1995.

Horn, Henrik, Harold Lang and Stefan Lundgren,
1994 "Competition, Long Run Contracts and Internal Inefficiencies in Firms," *European Economic Review*, Vol. 38, 1994, pp. 213-233.

Hotchkiss, Edith,
1995 "Post-Bankruptcy Performance and Management Turnover," *Journal of Finance*, Vol. 50, 1995, pp. 3-21.

Huselid, Mark A.,
1995 "The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance," *Academy of Management Journal*, Vol. 38, 1995, pp. 635-672.

Ingram, Geoffrey K.,
1970 *Size of Industrial Organization and Worker Behaviour*, Cambridge, Great Britain: University Press, 1970.

Jarrell, Gregg A.,
1985 "Institutional Ownership, Tender Offers, and Long-Term Investments." Study by the Office of the Chief Economist, Securities and Exchange Commission, 1985.

Jensen, Michael C.,
1986 "The Agency Cost of Free Cash Flow, Corporate Finance and Takeovers," *American Economic Review*, Vol. 76, 1986, pp. 323-329.

Jensen, Michael C.,
1991 "Corporate Control and the Politics of Finance," *Journal of Applied Corporate Finance*, Vol. 4, 1991, pp. 13-33.

Jensen, Michael C. and William H. Meckling,
1976 "Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure," *Journal of Financial Economics*, Vol. 3, 1976, pp. 305-360.

Jensen, Michael C. and Kevin J. Murphy,
1990 "Performance Pay and Top Management Incentives," *Journal of Political Economy*, Vol. 98, 1990, pp. 225-264.

Jose, Manuel L., Len M. Nichols and Jerry L. Stevens,
1986 "Contributions of Diversification, Promotion, and R&D to the Value of Multi-Product Firms: A Tobin's Q Approach," *Financial Management*, Vol. 15, 1986, pp. 33-42.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Jovanovic, Boyan,

1993 "The Diversification of Production," *Brookings Papers on Economic Activity*, Vol. 1, 1993, pp. 197-247.

Kaplan, Steven,

1994 "Top Executive Rewards and Firm Performance: A Comparison of Japan and the U.S.," *Journal of Political Economy*, Vol. 102, 1994, pp. 510-546.

Kaufman, Allen, Lawrence Zacharias and Marvin Karson,

1995 *Managers vs Owners*: The Struggle for Corporate Control in American Democracy, New York: Oxford University Press, 1995.

Kelm, Kathryn M., V.K. Narayanan and George E. Pinches,

1995 "Shareholder Value Creation During R&D Innovation and Commercialization Stages," *Academy of Management Journal*, Vol. 38, 1995, pp. 770-786.

Lach, Saul and Rafael Rob,

1995 "R&D Investment and Industry Dynamics," Federal Reserve Board Publication 95-47, October 1995.

Leamer, Edward E.,

1984 *Sources of International Comparative Advantage*: Theory and Evidence, Cambridge, MA: MIT Press, 1984.

Lee, Thomas W., Terence R. Mitchell, Lowell Wise and Steven Fireman,

1996 "An Unfolding Model of Voluntary Employee Turnover," *Academy of Management Journal*, Vol. 39, 1996, pp. 5-36.

Lenz, Allen J.,

1990 *Beyond Blue Economic Horizons*: U.S. Trade Performance and International Competitiveness in the 1990's, New York: Praeger Publishers, 1991.

Levin, Richard C.,

1988 "Appropriability, R&D Spending, and Technological Performance," *American Economic Association Papers and Proceedings*, Vol. 78, 1988, pp. 424-428.

Martin, Kenneth J. and John J. McConnell,

1991 "Corporate Performance, Corporate Takeovers and Management Turnover," *Journal of Finance*, Vol. 46, 1991, pp. 671-688.

McConnell, John J. and Chris J. Muscarella,

1985 "Corporate Capital Expenditure Decisions and the Market Value of the Firm," *Journal of Financial Economics*, Vol. 14, 1985, pp. 399-422.

McConnell, John J. and H. Servaes,

1990 "Additional Evidence on Equity Ownership and Corporate Value," *Journal of Financial Economics*, Vol. 27, 1990, pp. 595-612.

Meulbroek, Lisa K., Mark L. Mitchell, J. Harold Mulherin, Jeffrey M. Netter and Annette B. Poulsen,

1990 "Shark Repellents and Managerial Myopia: An Empirical Test," *Journal of Political Economy*, Vol. 98, 1990, pp. 1108-1117.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Milkovich, George T. and Jerry M. Newman,
1996 *Compensation*, Chicago: Richard D. Irwin, Inc., 1996.
Morck, Randall, Andrei Shliefer and Robert W. Vishny,
1988 "Management Ownership and Market Valuation: An Empirical Analysis," *Journal of Financial Economics*, Vol. 20, 1988, pp. 293-316.
Murphy, Kevin J. and Jerold L. Zimmerman,
1993 "Financial Performance Surrounding CEO Turnover," *Journal of Accounting and Economics*, Vol. 16, 1993, pp. 273-316.
Pakes, Ariel,
1984 "Patents, R&D, and the Stock Market Rate of Return: A Summary of Some Empirical Results," in Zvi Griliches, ed., *R&D, Patents and Productivity*, Chicago: University of Chicago Press, 1984, pp. 253-259.
Pakes, Ariel,
1985 "On Patents, R&D, and the Stock Market Rate of Return," *Journal of Political Economy*, Vol. 93, 1985, pp. 390-409.
Parks, Judi McLean and Edward J. Conlan,
1995 "Compensation Contracts: Do Agency Theory Assumptions Predict Negotiated Agreements?" *Academy of Management Journal*, Vol. 38, 1995, pp. 821-838.
Pinches, George E.,
1981 "Myopia, Capital Budgeting and Decision Making," Presidential Address to the Financial Management Association, October, 1981.
Porter, Michael,
1985 *Comparative Advantage*, New York: McMillan, Inc., 1985.
Porter, Michael,
1990 *Comparative Advantage of Nations*, New York: McMillan, Inc., 1990.
Rao, Potluri and Roger LeRoy Miller,
1971 *Applied Econometrics*, Belmont, CA: Wadsworth Publishing Company, Inc., 1971.
Reichheld, Frederick F.,
1996 *The Loyalty Effect*, Boston, MA: Harvard Business School Press, 1996.
Shliefer, Andrei and Robert W. Vishny,
1989 "Management Entrenchment: The Case of Manager-Specific Investments," *Journal of Financial Economics*, Vol. 25, 1989, pp. 123-139.
Spector, Paul E.,
1981 *Research Designs*, Beverly Hills: Sage Publications, 1981.
Stein, Jeremy C.,
1988 "Takeover Threats and Managerial Myopia," *Journal of Political Economy*, Vol. 96, 1988, pp. 61-80.
Stroh, Linda K., Jeanne M. Brett, Joseph P. Baumann and Anne H. Reilly,
1996 "Agency Theory and Variable Pay Compensation Strategies," *Academy of Management Journal*, 1996, pp. 751-767.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Stulz, Rene M.,
1990 "Managerial Discretion and Optimal Financing Policies," *Journal of Financial Economics*, Vol. 26, 1990, pp. 3-27.

Thakor, Anjan V.,
1990 "Investment Myopia and the Internal Organization of Capital Budgeting Decisions," *Journal of Law, Economics and Organization*, Vol. 6, 1990, pp. 129-154.

Wang, Cheng,
1995 "Incentives, CEO Compensation, and Shareholder Wealth in a Dynamic Agency Model," Carnegie Mellon University Working Paper, April 1995.

Warner, Jerome, Ross Watts and Karen Wruck,
1988 "Stock Prices and Top Management Changes," *Journal of Financial Economics*, Vol. 20, 1988, pp. 461-492.

Weisbach, Michael,
1988 "Outside Directors and CEO Turnover," *Journal of Financial Economics*, Vol. 20, 1988, pp. 431-460.

Weisbach, Michael,
1995 "CEO Turnover and the Firm's Investment Decisions," *Journal of Financial Economics*, Vol. 37, 1995, pp. 159-188.

Welbourne, Theresa M., David B. Balkin and Luis R. Gomez-Mejia,
1995 "Gainsharing and Mutual Monitoring: A Combined Agency-Organizational Justice Interpretation," *Academy of Management Journal*, Vol. 38, 1995, pp. 881-899.

Wiersama, Margarethe F. and Karen A. Bantel,
1993 "Top Management Team Turnover as an Adaptation Mechanism: The Role of the Environment," *Strategic Management Journal*, Vol. 14, 1993, pp. 485-504.

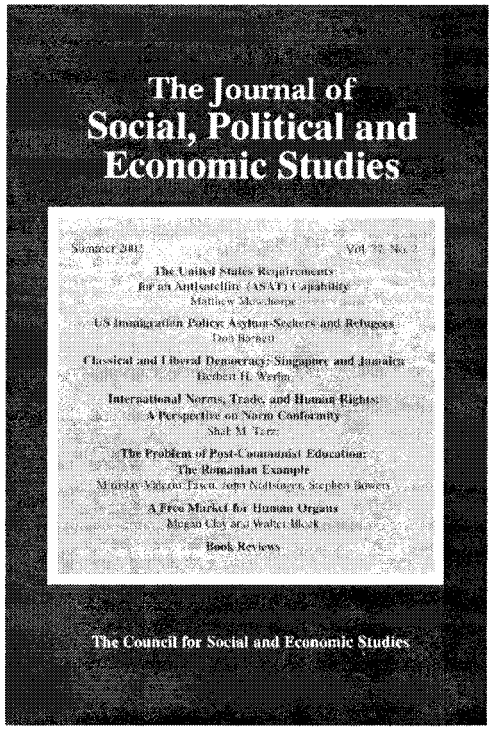
Wildt, Albert R., and Olli T. Ahtola,
1985 *Analysis of Covariance*, Beverly Hills: Sage Publications, 1985.

Woolridge, J. Randall,
1988 "Competitive Decline and Corporate Restructuring: Is a Myopic Stock Market to Blame?" *Journal of Applied Corporate Finance*, 1988, pp. 26-36.

Zantout, Zaher Z.,
1997 "A Test of the Debt-Monitoring Hypothesis: The Case of Corporate R&D Expenditures," *Financial Review*, Vol. 32, Feb. 1997, pp. 21-48.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Journal of Social, Political and Economic Studies



JSPES

offers in-depth information on contemporary social, political and economic issues of interest to readers worldwide.

$94.00 per annum for libraries and institutions, $45.00 p.a. for faculty members, students and other private individuals. Reduced three-year subscriptions are available at a cost of $280.00 for libraries. For mailing addresses outside the USA please add $12.00 per annum.
ISSN 0193-5941. Mastercard/Visa accepted.

The Journal of Social, Political and Economic Studies
P.O. Box 34070, N.W.,
Washington, D.C. 20043

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Understanding America: The Martin Luther King Myth

Dwight D. Murphey[1]
Wichita, Kansas

More than forty years have passed since Martin Luther King, Jr.'s speech at the Lincoln Memorial on August 28, 1963. King has long-since become enshrined within America's conventional wisdom as one of the preeminent leaders in the country's history. To understand America's idealization of King, a number of questions are worth exploring about this consensus, now that several years have passed. Is the consensus voluntarily undertaken by the American public? Is the myth based on an accurate depiction of the man and his actions? And what does the existence of the King myth and its powerful hold on American life tell us about American society and the workings of democracy?

Key Words: Martin Luther King, Jr; Nonviolence; Civil disobedience; Racial relations in America; King's plagiarism; King's adultery; New Politics Convention (1967); Affirmative action; Race in American history; Myth and American racial issues.

Today's Image of Martin Luther King, Jr.

Peggy Noonan, the superbly talented speech writer for President Ronald Reagan, wrote a column a few years ago for *The Wall Street Journal* about "the seven unifying myths" that bind Americans together. She feels they should be taught to the children of all new immigrants. In this, she uses "myth" in its favorable connotation, not as a word of disparagement. One of the seven gives an enthusiastic picture of "the civil rights struggle." She describes that struggle as "a massive peaceful resistance to a tradition that was a sin... – and all because America had a conscience to which an appeal could be made."[2]

King's image is a major part of the myth to which she refers. There

---

[1] Dwight D. Murphey retired from the faculty of Wichita State University in July 2003 after 36 years teaching business law. He has long been associate editor of this journal. His collected writings appear at:
www.dwightmurphey-collectedwritings.info.

[2] Peggy Noonan, "What New Americans Need to Know," *The Wall Street Journal*, November 21, 1990.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

is no greater personification of the civil rights struggle as seen today than King. M. Stanton Evans is no doubt accurate in saying that during the years since King's death in 1968 he has been elevated to "secular sainthood." Seeking something of a sainthood for him beyond even the "secular," American Catholic bishops in January 2000 asked the Vatican to name King (though a Baptist) a "martyr for the Christian faith."

Everywhere there are streets, boulevards and highways named after him; his picture hangs on the walls of countless classrooms and university offices across the United States; and since Congress declared the holiday in 1983, Americans have celebrated "Martin Luther King Day" on January 15 to commemorate his birthday, even as the traditional holidays marking the birthdays of Washington and Lincoln have been compressed into one considerably lesser observance. *Time* magazine named King the "Person of the Year" in 1963, five years before he was killed. In 1964, he received the Nobel Peace Prize. President Jimmy Carter presented him posthumously the Presidential Medal of Freedom on July 4, 1977. Each year, King's birthday is ubiquitously noted with banquets and speakers, documentaries, marches and parades, and memorial services.

Components of the Myth

Today's image of Martin Luther King, Jr., consists of several discrete ideas:

That King was a man of superb qualities: high-minded, given to love and nonviolence, eloquently expressing dreams of equality and justice.

That his actions as the principal leader of the civil rights movement involved a whirlwind of activity that used "nonviolent direct action" and "massive civil disobedience" as levers to move American society.

That until acted upon by the civil rights movement, and to a considerable degree even today, the American people and their institutions were unresponsive, racist and fundamentally unjust.

That massive civil disobedience is a legitimate and sometimes necessary part of democratic process.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> That, accordingly, King stood at the forefront of a progressive movement that has led America toward its truest ideals. The citation for the Presidential Medal of Freedom says that King "was the conscience of his generation. A southerner, a black man, he gazed on the great wall of segregation and saw that the power of love could bring it down."[3]

Questions About the Myth

The idealizations that a people live and die by – prominent among what we call the "myths" of a given culture – are almost indispensable as cements to give a people a sense of cohesion, meaning and direction. As simplifications and large symbols of reality, they are to be expected in every society. So it is not the existence of a myth that is to be questioned, but whether a given myth simplifies by capturing the essence of its subject-matter rather than falsifying it, and whether it occupies a constructive rather than destructive role.

With these questions in mind, we see that there are considerable problems about the image that today's United States holds of Martin Luther King, Jr., and the civil rights movement. To examine those problems, we must move beyond what is today insisted upon as "politically correct" about them. If a discussion confines itself to what is encapsulated within an official liturgy, it can hardly be a serious critique.

We will divide this discussion into two parts. The first will deal with the specific facts of King's image; the second will explore the broader societal issues that are suggested by the myth and its hold on American society.

Problems Most Directly Involved in the Myth Itself

This first part suggests several issues:

1. Was the Myth Freely Adopted?

Is the image one that came about because of its obvious appeal to people's hearts and minds; or is it one that constitutes a mental conquest of sorts, imposed coercively on any sizable portion of the public?

---

[3] James Melvin Washington (ed.), *A Testament of Hope: The Essential Writings of Martin Luther King, Jr.* (San Francisco: Harper & Row, Publishers, 1986), the page immediately prior to the Table of Contents, quoting from the citation for the Presidential Medal of Freedom.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

These questions are important to understanding the role a myth plays, but an answer that the myth was coercively imposed does not necessarily discolor it. Many of the ideal images revered within societies are the result of victors' having imposed their view of personalities and events to the exclusion of the perspectives held by opposing but defeated elements. During the American Revolution, for example, the contrasting views of "patriots" and "loyalists" were very real; but the victory for those who favored independence has long-since elevated the revolutionary leaders to the sanctified position of "Founding Fathers," while in the United States the loyalist perspective is virtually forgotten. It is something of a shock to an American to cross the border into Canada at Niagara Falls and come upon a monument to a loyalist general.

Thus, the acceptance of an ideal image depends on time, place and circumstance. We see this also in what has been occurring with Columbus's reputation. He was for centuries honored within the United States as the "discoverer of the New World," and Columbus Day continues among the United States' holidays. But with the increasing assertion of non-European perspectives, Columbus has come under attack, and the whole idea that he "discovered" a continent that was already populated by an indigenous people has become the subject of ridicule. There is a lesson in this: that myths are not necessarily permanent. They may be displaced as other interests come to prevail.

As is true of so many other idealizations, the King myth was not freely adopted. It didn't spring spontaneously from the universal sentiments of the American people. King's idealized image was imposed on the American people by the various organs of contemporary ideology that have fashioned what in recent years has been known as "political correctness." This is a phenomenon in which 80% of the public can think a certain way, only to see the opposite put into effect by the cultural elite that actually governs the country and establishes what is acceptable opinion.

An example is that polls have shown that the overwhelming sentiment among Kansans has long favored the death penalty. For years, however, governors announced they would veto a bill installing it. When finally a governor was elected who said she would sign a bill, several legislators switched their positions from favorable to unfavorable so that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Legislature could no longer pass it. Eventually, the death penalty was enacted, but several years have gone by and thus far no one has been executed. The whole history resembles a charade.

In 1990 the Arizona electorate voted not to have a paid state holiday for King's birthday. This brought down the wrath of Paul Tagliabue, the commissioner of the National Football League, sixty percent of whose players were black. He attempted to sway the outcome by declaring before the vote that a rejection of the holiday would cause the NFL to move the 1993 Superbowl out of Arizona, where it had been scheduled. He reiterated that position afterward.[4] True to his threat, the 1993 Superbowl was moved to the Rose Bowl in Pasadena.

The national King holiday was approved by Congress in 1983, but only after Congressman John Conyers, D-Mich., had made 16 consecutive annual attempts to have it enacted. The approval was hotly contested, and was made in an enforced informational vacuum. Shortly before the approval, the decision was announced to seal for 50 years all FBI records relating to King's activities. Senator Jesse Helms sought to have the records opened, but a federal judge ruled to keep the records sealed.[5] The records are thought to reflect "intense FBI scrutiny because of his close association with Communist Party members, especially Stanley D. Levinson, a major figure in the Communist Party"[6] They are also thought to contain considerable detail about King's sexual misconduct.

The enactment of the national holiday closed debate by institutionalizing the myth, which thereafter has had the imprimatur of official sanction. By now, King's life and the civil rights movement are honored as though there is no other respectable view. This constitutes, at least for the present, the total victory of one segment of the population over another. That other view is now eclipsed in a way reminiscent of the "non-persons" who were air-brushed out of official photographs in the Soviet Union.

---

[4] See M. Stanton Evans, "NFL's Tagliabue: More Liberal Arrogance," *Human Events*, November 24, 1990, p. 8.

[5] Wichita Eagle-Beacon supplement on Martin Luther King, Jr., January 18, 1986, p. 4D.

[6] *Middle American News*, August 2003, p. 3.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Even after the King holiday has been given official sanction, coercive pressures have been brought in an effort to force people to observe it. Prior to the holiday in 1994, it was reported that "members of the Wichita branch of the NAACP plan to boycott businesses that fail to recognize the Martin Luther King Jr. holiday." Bess Dreams, chair of the committee organizing the boycott, said that "if businesses can't close on Monday, the national holiday, they should at least do something to recognize the legendary civil rights leader."[7] The underlying premise is that it is impermissible to look on the holiday less than favorably or even to be indifferent to it.

As we noted about the coercive origins of many myths, it is true that the King myth is not unique in having been institutionalized. A great many images are in effect transformed into a part of a people's secular religion by being made the subject of monuments, parades, prestigious museums, school essay contests, and the like. This serves the prevailing consensus well, but those who seek to analyze events intellectually will need to realize that the deck has been stacked in favor of a particular perception.

The coercive imposition and then institutionalization of a myth should also be understood as one of the society's exceptions to the process of on-going democracy. Not all subjects are left for discussion within what John Stuart Mill valued as an "open marketplace of ideas." To that extent, modern "democracy" has not come as far from the premodern "closed" social systems as is generally believed.

2. Is the King Myth Based on the Essential Truth About the Man and his Actions?

Where King's image truly runs aground is with respect to its accuracy. It does not capture the essence of its subject, but rather distorts it almost beyond recognition.

The image is of a man of sterling qualities. It has, however, become clearer over time that King was profoundly dishonest both in his personal life and his eloquence. In response to this, it is argued, just as it

[7] Wichita Eagle, January 13, 1994, report "Businesses not honoring King holiday face boycott."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

was for William Clinton during his presidency, that "his personal misbehavior is far outweighed by his monumental achievements in the public arena."[8] But this requires a certain view of King's public role, one that gives him full credit as an apostle of "nonviolence" and that chooses to overlook the moral support he gave to Communist revolutions throughout the world.

People from varied points of view acknowledge that King's public role is itself open to question. These include some black commentators. In a retrospective on King in 1996, black columnist Mark McCormick asked "Have we watered down Martin Luther King?" He quotes a black pastor as saying that "portrayals of King as a one-dimensional pacifist simply do not wash... His message was a bit more challenging, it was a bit more piercing." The column comments that "the fact that people seem to embrace only a portion of King's message may say a lot about some of our deepest feelings. 'Maybe we don't love him as much as we say we do,' Montgomery [the pastor] said. 'Maybe we are hypocrites... If we embrace the man and reject his message, there has to be an element of hypocrisy there.'"

These particular objections may be said to come "from the left." There are, however, reasons to question King's public role from other perspectives as well. The Abe Lincoln Foundation, for example, ran an advertisement expressing J. A. Parker's opposition to the King holiday: "I'm a black American and I oppose the Martin Luther King holiday... because of King's dishonesty... because of King's immorality... because of King's attacks on our capitalist free enterprise system... [and] because of King's attacks on America. Martin Luther King once called the United States 'the greatest purveyor of violence in the world.' He even compared the United States to Nazi Germany... Even liberal columnist Ellen Goodman acknowledges: 'King was *no* stick figure, appropriate for holiday framing, *no* object for the school lessons we offer up to our holiday heroes.'"

---

[8] See the column by Bud Norman in the *Wichita Eagle-Beacon* supplement about King, January 18, 1986, p. 2D.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

King's Plagiarism

In the academic and journalistic communities, plagiarism is condemned as a serious form of dishonesty. Professors caught doing it wind up resigning quietly from the faculty amid whispered ignominy. The problem is that it is a form of stealing: the appropriation of someone else's intellectual work without attribution.

King's rampant plagiarism has received widespread comment, but is for ideological and political reasons relegated to what astronomers call a "black hole." Its role offers a good example of the compartmentalizing that allows two contradictory things to co-exist without the one disturbing the other. This is, of course, a form of public hypocrisy. To the extent they allow themselves to be conscious of the plagiarism, those who value the King myth (and they are overwhelmingly powerful in opinion-making circles in the United States today) consider this a justifiable hypocrisy that serves a good end.

The most extensive example of King's plagiarism is almost certainly his doctoral dissertation at Boston University in 1955. The Theodore Pappas article in the January 1991 issue of *Chronicles*, and the book Pappas edited in 1994, *The Martin Luther King, Jr., Plagiarism Story*, compare long passages in King's dissertation with a 1952 dissertation at the same institution by Jack Stewart Boozer.[9] The copying was word-for-word, not just of incidental sentences but of passage after passage. King even incorporated typographical errors and mistakes in footnoting.

Pappas sets out many passages in Boozer's and King's dissertations, showing they are identical. We won't repeat that here, but some illustration will give a feel for it:

> From page 265 of Boozer's 1952 dissertation: "Correlation means correspondence of data in the sense of a correspondence between religious systems and that which is symbolized by them. It is upon the assumption of this correspondence that all utterances about God's nature are made. This correspondence is actual in the logos-nature of God and the *logos*-nature of man." [Italics in the original.]

[9] Theodore Pappas, ed., *The Martin Luther King, Jr., Plagiarism Story* (Rockford, IL: Rockford Institute, 1994).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> From page 21 of King's 1955 dissertation: "Correlation means correspondence of data in the sense of a correspondence between religious symbols and that which is symbolized by them. It is upon the assumption of this correspondence that all utterances about God's nature are made. This correspondence is actual in the logos nature of God and the *logos* nature of man." [The only difference is in King's dropping of the hyphen in the reference to "the *logos*-nature of man."]

The *Chronicles* article is preceded in the same issue by a letter from Jon Westling, at that time president *ad interim* of Boston University, in which Westling turns a blind eye to the whole thing. Westling's letter asserts that "not a single reader has ever found any nonattributed or misattributed quotations, misleading paraphrases, or thoughts borrowed without due scholarly reference in any of its 343 pages."

This was contradicted, of course, by a simple reading of the two dissertations, and also by the later findings of a panel of scholars appointed by Boston University to look into the matter.[10] The panel held that "there is no question but that Dr. King plagiarized in the dissertation by appropriating material from sources not explicitly credited in notes, or mistakenly credited, or credited generally and at some distance in the text from a close paraphrase or verbatim quotation."

Not surprisingly in the climate of the day, the panel did the politically wise thing, recommending against a revocation of King's doctoral degree. The news report cited their reason as being that a revocation "wouldn't affect 'academic or scholarly practice,'" whatever that means. It is to be noted that the panel's findings, though meaningful as academic admissions, minimized the plagiarism by managing to avoid reporting King's copying of long passages, including even the mistakes.

King is perhaps best remembered for his peroration concluding his Lincoln Memorial speech on August 28, 1963. It is considered one of the classics of American oratory. That peroration, however, bears an uncanny resemblance to the peroration concluding the speech of a black Republican, Archibald Carey, Jr., then a member of the Chicago City

[10] Associated Press report, "Panel at Boston U. finds King plagiarized, but says doctorate shouldn't be revoked," *Arizona Daily Star*, October 11, 1991.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Council, to the 1952 Republican National Convention eleven years before King's speech.

King's oration ends with the following:

"This will be the day when all of God's children will be able to sing with new meaning – 'my country, 'tis of thee; sweet land of liberty; of thee I sing; land where my fathers died, land of the pilgrims' pride; from every mountain side, let freedom ring' – and if America is to be a great nation, this must become true.

"So let freedom ring from the prodigious hilltops of New Hampshire.

"Let freedom ring from the mighty mountains of New York.

"Let freedom ring from the heightening Alleghenies of Pennsylvania.

"Let freedom ring from the snow-capped Rockies of Colorado.

"But not only that.

"Let freedom ring from Stone Mountain of Georgia.

"Let freedom ring from Lookout Mountain of Tennessee.

"Let freedom ring from every hill and molehill of Mississippi, from every mountainside, let freedom ring.

"And when we allow freedom to ring, when we let it ring from every village and hamlet, from every state and city, we will be able to speed up that day when all of God's children – black men and white men, Jews and Gentiles, Catholics and Protestants – will be able to join hands and to sing in the words of the old Negro spiritual,

"'Free at last, free at last; thank God Almighty, we are free at last.'"

Compare this with the ending of Carey's 1952 speech:

"We, Negro-Americans, sing with all other Americans: 'My country, 'tis of thee, Sweet land of liberty, Of thee, I sing. Land where my fathers died, Land of the pilgrims' pride. From every mountain-side Let freedom ring.'

"That is exactly what we mean, from every mountain side, let freedom ring. Not only from the Green Mountains of Vermont and the White Mountains of New Hampshire; not only from the Catskills of New York; but from the Ozarks in Arkansas, from the Stone

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> Mountain in Georgia, from the Great Smokies of Tennessee, and from the Blue Ridge Mountains of Virginia – not only for the minorities of the United States, but for the persecuted of Europe, for the rejected of Asia, for the disenfranchised of South Africa, and for the disinherited of all the earth. May the Republican Party, under God, from every mountain side, Let Freedom Ring!"[11]

King's Adultery

Ralph David Abernathy was for many years a close associate of King's. So we have reason to think him a credible source when in his 1989 autobiography *And the Walls Came Tumbling Down* he revealed, with some evident reluctance, King's voracious extramarital sexual appetite.[12] It is interesting, in this connection, that Taylor Branch, in his book *America in the King Years, 1954-1963*, tells of both King's and Abernathy's extramarital sexual behavior: "King confided to a colleague that he not only had known of Abernathy's extramarital liaisons in Montgomery but had joined in some of them himself."[13]

Columnist Walter Scott has written that King "was a charismatic personality who attracted women of all races to his hotel rooms."[14]

In 1995, the Associated Press reported that "the first black to serve in Kentucky's Senate confirmed Wednesday that she was with the Rev. Martin Luther King, Jr., the night before his assassination. Georgia Powers writes of a year-long relationship with King in her new autobiography, *I Shared the Dream*... The Rev. Ralph Abernathy, King's lieutenant in the civil rights movement, created a furor five years ago when he suggested in his memoirs that King cheated on his wife." The news report tells of Abernathy's prior corroboration of Sen. Powers' revelation: "Abernathy, who died in 1990, also wrote of a liaison King

---

[11] At the request of the author of the present article, the Republican National Committee by cover letter dated July 28, 1994, provided him a copy of Carey's address, the conclusion of which is quoted here.

[12] Ralph David Abernathy, *And the Walls Came Tumbling Down: An Autobiography* (New York: Harper & Row, 1989), pp. 470-475.

[13] Taylor Branch, *Parting the Waters: America in the King Years, 1954-63* (New York: Simon and Schuster, 1988), p. 239

[14] Walter Scott's "Personality Parade," *Parade Magazine*, February 22, 1987.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

had the night before his death with 'a black woman... a member of the Kentucky Legislature."[15]

A news report one day later said "Former Kentucky state Sen. Georgia Powers is lying about having an affair with Martin Luther King, Jr., one close associate of King's said Thursday. 'I hope God will forgive her,' said the Rev. Hosea Williams.[16]

There was a time in the American past when serial adultery would have been thought extremely serious: as a flagrant breach of sexual morality, as a betrayal of spouse and family, and as cheating. In today's moral climate, we will allow those features to pass without comment, leaving it to each reader to judge according to the reader's own standards. What is worth adding to the discussion is a reflection about what King's adultery tells us about his psychology. One of the salient features of the elite that has long prevailed in American life is that so many individuals within it see themselves as separate from, and above, the main body of the population and its norms, even while they present themselves to the public as "men (or women) of the people." Such a quality is salient in the lives, say, of John F. Kennedy and William Clinton.[17] Here, we see it with King, who presented himself to the world as a pastor and "man of God," and then on perhaps the same day lived in a way that spurned the values that entailed. This suggests arrogance, elitism, duplicity and a profound devaluation of the very people who invested their emotions in him. Is it possible that the consciousness such leaders have had of their almost instantaneous shift in roles does not suggest a certain bemused contempt for those who have adored them?

King's Role as a Leader

The image of Martin Luther King, Jr., as a man of love and peace tells the American people nothing about his deep alienation against

---

[15] Wichita Eagle, "Ex-legislator tells of affair with Martin Luther King, Jr.," January 26, 1995.

[16] Wichita Eagle, January 27, 1995.

[17] For a discussion of the behavior of John F. Kennedy and William Clinton, see Dwight D. Murphey, "Presidents Kennedy and Clinton: Case Studies in Society's Condonation of 'Twilight' Behavior," *The Journal of Social, Political and Economic Studies*, Summer 1997, pp. 185-197.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

American life, his close ties with the radical Left that was so active in the United States in the 1960s, and his support for Communist "wars of national liberation" throughout the world. In a speech a few months before his death, King declared "these are revolutionary times. All over the globe men are revolting... We in the West must support these revolutions." He spoke of Americans' "morbid fear of Communism," and went on to say that "the fact is that capitalism was built on the exploitation and suffering of black slaves and continues to thrive on the exploitation of the poor – both black and white... We must recognize that the problems of neither racial nor economic injustice can be solved without a radical redistribution of political and economic power."[18]

After King received the Nobel Peace Prize in 1964, he turned his attention successively to new areas. He led a voter registration drive in Alabama and then broadened his efforts beyond the black civil rights struggle by championing the claims of the poor in Chicago and, finally, throwing himself into the anti-war movement opposing the American war effort in Vietnam.

Probably nothing better illustrates the temper of that time and King's role in it than the New Politics Convention in 1967. Over the Labor Day weekend, Chicago's Palmer House was the site of one of the most incredible scenes in American political history. Revolutionaries of several types came together – with King delivering the keynote oration. Bongo drums accompanied a chant of "Kill Whitey... Kill Whitey... Kill Whitey" outside the Chicago Coliseum as King addressed the opening night rally on Thursday, August 31. It was then that King spoke the lines quoted above.

Some commentators have sought to diminish King's role, despite his having been the keynoter. They say, as James Ridgeway did in the *New Republic*, that the speech "was a bore to the delegates."[19] But the *New York Times*'s story the day following the speech reported that "Dr. King was warmly applauded by the 3,500 people in the steaming Chicago Coliseum." Gary Allen's first-hand report says "the audience broke into

[18] Quoted in Gary Allen, "New Politics," *American Opinion*, November, 1967, p. 10.

[19] James Ridgeway, "Freak-Out in Chicago: The National Conference of New Politics," *The New Republic*, September 16, 1967, pp. 9-12, 10.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

a hurricane of applause" when King made the statements quoted above.

It was an audience unlike any other in American history. Andrew Kopkind in the *New Statesman* reported that "the Trotskyists were there, the Maoists, the Independent Socialists, the New Left, the community organizers, the academics, the peaceniks, the pacifists, the rich fellow-travellers, the angry liberals."[20] A black caucus, which despite its small numbers towered over the entire convention, met "continuously in secrecy," *The Nation* reported, "with shaven-headed bodyguards at the doors." The *New York Times* spoke of "fiercely mustached students in dungarees, straight-haired sandaled girls in microskirts and Negroes in African attire...."[21]

This was the convention at which Ronald Lockman, a member of the Communist W.E.B. DuBois Club, made a sensation when he stood in his infantry uniform and declared his intention to violate his orders to go to Vietnam. After wild cheering, the delegates "gave Lockman a standing ovation," Ridgeway tells us, "chanting over and over 'Hell no, we won't go.'"

After days of separate deliberation, the black caucus emerged with its demand that the convention approve without amendment a 13-point resolution, which the delegates then did, by a 3-1 margin. The *New York Times* reported in its magazine feature on September 24 that the supporters of these 13 points "took their lead" from a certain Septima Clark, "an elderly lady associated with (Martin Luther King's) Southern Christian Leadership Conference." The points started with the preamble that "We, as black people, believe that the United States system that is committed to the practice of genocide, social degradation, the denial of political and cultural self-determination of Black people, cannot reform itself; there must be revolutionary change." It went on to "demand that this conference: ...give *total and unquestionable support to all national people's liberation wars in Africa, Asia and Latin America, particularly Vietnam, Mozambique, Angola, South Africa, and Venezuela.*" [I have added the emphasis.]

---

[20] Andrew Kopkind in *New Statesman*, September 8, 1967, p. 278.

[21] New York Times, September 1, 1967, p. 15.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

It should be noted that despite Ms. Clark's leading role, the King forces didn't fully control the convention; there was a move on to create a third-party presidential ticket with King as the nominee for president and Dr. Spock for vice-president; but, according to the *Times* feature, this was abandoned when black militants who thought King "accommodationist" made it clear they wouldn't support King. The manifesto ran into some trouble with the King forces over its condemnation of "the imperialistic Zionist war," even though the points were quick to add that the condemnation "does not imply anti-Semitism." *The Nation* reported that "Rev. Martin Luther King himself sent a secret last-minute appeal through his aide, Jose Williams... to significantly modify the statement."[22] It is noteworthy that the rest of the points, including the support for Communist insurgencies around the world quoted in italics above, did not seem to King to require modification; and the debate for them, as we have seen, was led by one of his people.

The convention was significant, too, for welcoming the first public outing of the Communist Party in several years. After World War II, a split had occurred in American left-liberalism over whether to include Communists in their activities. The Americans for Democratic Action (ADA) was formed explicitly to repudiate such collaboration. This involved a principle of great importance, since the post-World War II history of the Third World – such as, for example, in Nicaragua – would have been vastly clarified if democratic socialists everywhere had refused to work with Communists. So it was a watershed when the American Left abandoned this position with the New Politics Convention. Although King claimed that "to my knowledge there are no Communists in the National Conference for a New Politics," the Communist Party, U.S.A., sent an official delegation of seven "observers." The *New York Times* spoke of "the sudden open appearance of the Communists... as one after another got the microphone."[23]

Students of comparative ideology have often commented on the similarities of the Far Left and fascism. Parallels in style and substance

[22] Richard Blumenthal, "New Politics at Chicago," *The Nation*, September 25, 1967, pp. 273-276.

[23] New York Times Magazine, September 24, 1967, pp. 124-127.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

were everywhere in evidence during the New Politics Convention. James Forman (referred to about equally in the literature as "Foreman") of SNCC, flanked by bodyguards, included in his speech a cry of "One Africa, One People!" This is eerily reminiscent of Hitler's "Ein Volk, Ein Reich, Ein Fuhrer!" When a delegate cried out "That's dictatorship" after Forman instructed the delegates to stand up if they favored his call for a boycott of General Motors and then immediately announced it had carried, Forman yelled back "Yes, and I'm the dictator." (After some delegates walked out, he said he had just been joking.)

Richard Blumenthal in *The Nation* reported that Carlos Russell was chosen as leader by the black caucus without a vote, through what Blumenthal referred to as "African consensus." This is not unlike the *fuhrerprinzip* that was a common feature of the German Youth Movement before and after World War I and that was incorporated into Nazi ideology. The theory was that powerful personalities would naturally rise to the top and would embody within themselves the sense of the group. This was the basis for the Nazis' claim to have been more truly democratic than the parliamentary systems.

When Floyd McKissick of CORE came to speak, a starkly military scene occurred. Two hundred Black Nationalists "marched in solemn ranks," according to Gary Allen. Then as McKissick spoke he was "flanked by two of his lieutenants, both reportedly armed at all times."

But these things had to do with the style of fascism. Its substance appeared in the intimidation imposed by the Black Caucus and the conformity of virtually all others. The votes in the convention had originally been allocated according to the number of activists back home a delegate represented. This had led to 28,498 votes going to white radicals, some 5,000 to blacks. But the Black Caucus demanded that it be given 28,498 votes, too, to make it equal to all the rest of the convention, and an equal number of seats on all committees. The convention, eager to show its "solidarity," agreed to this by a 2-1 margin. The members of the Black Caucus segregated themselves, sitting in a special section marked off with a red sash. As each resolution came up for a vote, "a lad in the front row of the black Caucus," the *New York Times* reported, "raised the large pink card that represented 28,498 votes."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

This continued even though some blacks who favored explicitly violent action left the convention eventually to hold their own conference (from which whites were excluded) at a South Side church. The *New York Times* tells us that when this happened "representatives of [Martin Luther King's] Southern Christian Leadership Conference took over" the original convention. The ensuing direction by SCLC caused no repudiation of the overall scene, nor any renunciation of the bitterly anti-American and pro-revolutionary resolutions enacted earlier.

King's "Nonviolent Direct Action"

Martin Luther King, Jr., was in principle committed to the philosophy of Mohandas Gandhi, famous for his use of "nonviolent civil disobedience" to hasten the British departure from India. The concept of "nonviolence" is important to our present discussion because it lies at the heart of King's idealized image as it is honored in the United States today.

There is much in King's utterances that gives articulate support to nonviolent protest, both on philosophical grounds and for pragmatic reasons. In an article written by King that was published after his death, he said "We are not going to tolerate violence. And we are making it very clear that the demonstrators who are not prepared to be nonviolent should not participate in this." His organization held workshops on nonviolence, and used those who attended as marshals to oversee the demonstrations.[24] In his final presidential address to SCLC, King said "I'm concerned about justice. I'm concerned about brotherhood. I'm concerned about truth. And when one is concerned about these, he can never advocate violence."[25]

Nevertheless, King's words and actions offer reason to question the nature of his nonviolence. It is worth remembering that his keynote address to the New Politics Convention called for support for the "wars of national liberation," most of them under Communist leadership and sponsored by either the Soviet Union or Communist China or both, around the world. This was far removed from a rhetoric of nonviolence,

[24] Washington, *Testament of Hope*, p. 68.

[25] Washington, *Testament of Hope*, p. 249.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

unless we are to suppose that he was unaware that people were being killed in such wars or that Communist powers had already butchered many millions of people. Thus, his rhetoric (and his moral concern) was by no means consistent.

Even if King's utterances had been consistent, there is reason to question how much an activist is to be credited for "nonviolence" when he conducts mass marches and boycotts, as well as speaks a language of bitter recrimination, in the midst of burning cities and militants who *are* calling for violence. Lionel Lokos speaks to this in his book *House Divided: The Life and Legacy of Martin Luther King* when he says, "King never hurled a Molotov cocktail, but he never stopped faulting society for those who did. King never looted a store, but he never stopped defending those who felt that poverty gave them a license to steal. King never hid on a roof with a rifle and sniped at the police, but he never stopped picturing the police department as a sort of home-grown Gestapo."[26] "We must ask ourselves," Lokos said, "if the doctrine and dogma of Martin Luther King's campaigns unwittingly created a fertile breeding ground in which the urban riots could flourish."[27] When he uses the word "unwittingly," Lokos is being charitable; the incendiary context was so clear that the causal nexus between "nonviolent massive disobedience" and the burning of cities was inescapable. That King understood the context is clear from his statement in April 1968 that "we also know, as official Washington may not, that the flash point of Negro rage is close at hand."[28]

Nor is that all. It isn't simply that King knew the incendiary context. Lokos cites the comments by Dr. Jerome D. Frank, professor of psychiatry at Johns Hopkins University: "Leaders of nonviolent movements constantly remind their opponents that if their demands are

---

[26] Lionel Lokos, *House Divided: The Life and Legacy of Martin Luther King* (New Rochelle, NY: Arlington House, 1968), p. 459. I have had occasion to reread much of Lokos' book in preparing this article in 2003, and highly recommend it both for its exhaustive research and for its balance and thoughtful reflection. It is a serious piece of scholarship, ranking among the better writings on the subject.

[27] Lokos, *House Divided*, p. 73.

[28] Washington, *Testament of Hope*, p. 65.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

not met, they may not be able to keep their followers in check. Is the threat of violence an integral part of the success of nonviolence?"[29]

Frank's point is sensible. It is illustrated in a totally different context by an incident in the Arab-Israeli conflict. The Israelis objected to a letter by King Hussein of Jordan to Israeli prime minister Benjamin Netanyahu in which the king said that Netanyahu's actions toward the Palestinians were conducive to "inevitable violent resistance." It was observed that "the king thought he was issuing a warning to protect the fragile peace, but Israelis heard a threat. Their ally Hussein had joined the Arab drumbeat of predicting violence, a repetition they said justifies and even encourages violent acts."[30]

In early 1968, Dr. King told an audience that "we seek to say to the nation in our campaign that if you don't straighten up, then you're writing your obituary."[31] When King turned to economic issues, he made a demand for virtually total economic and social reconstruction, which he is certain to have known would involve, at the very least, a long political process: universally guaranteed jobs or a guaranteed annual wage. After making this improbable demand, he wrote that "if it fails, nonviolence will be discredited, and the country may be plunged into holocaust...." He added: "If nonviolent protest fails this summer [of 1968], I will continue to preach it [nonviolence] and teach it... But I'm frank enough to admit that if our nonviolent campaign doesn't generate some progress, people are just going to engage in more violent activity, and the discussion of guerrilla warfare will be more extensive."[32]

From this, we see that the idealized image of King as an apostle of "love" and "nonviolence" is a sanitized version of King's actual position. This makes the myth comfortable for the public's consumption, but hides the reality, which is very different.

Thought must also be given to the very concept of "civil disobedience." Civil disobedience as a doctrine validates lawlessness, and thus

---

[29] Lokos, *House Divided*, p. 85.

[30] Wichita Eagle, February 16, 1997, article on "Mideast."

[31] Rocky Mountain News, March 21, 1993, p. 108.

[32] Washington, *Testament of Hope*, pp. 65, 69.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

runs contrary to a free society's adherence to the Rule of Law. Lokos comments that "his concept of civil disobedience was exquisitely embroidered with 'love" and 'good will," but stripped to its essentials it was the concept that every man could be his own judge and jury and legislator... It was the concept that a minority had the right to flout the law... to force its will upon the majority."[33] *Vital Speeches* carried an address in 1967 by retired Supreme Court Justice Charles E. Whittaker that argued persuasively that the Rule of Law constitutes, in fact, an essential bulwark in the defense of minorities themselves. Whittaker said:

> Minority groups, in preaching and practicing defiance of the law, are in fact, advocating erosion and destruction of the only structure that can assure to them, or permanently maintain for them, due process of law, and the equal protection of the laws, and that can thus protect them from discriminations and abuses by minorities.[34]

It seems hard to imagine that black leaders could forget that lynching, which they abhorred, had itself been a departure from organized legal institutions by frontier-like communities that thought it justifiable to take the law into their own hands. Once there is a departure from law, even for reasons those doing it consider valid, the direction that extralegal action takes can vary greatly from one circumstance to the next.

Underlying Issues Suggested by the King Myth

It remains for us to discuss certain underlying issues that don't pertain directly to King or his actions, but that anyone who is reflecting on the myth will want to consider.

1. Did the American people adopt the most constructive approach on racial matters when direct-action activism and legislation were adopted as the means for social change? Nothing is more settled in the consciousness of the American public today than that the civil rights movement in effect pressured the United States into doing the right thing, changing the society from one that had been inexcusably structured around white racism and inequality toward blacks. The movement's direct-action

[33] Lokos, *House Divided*, p. 460.

[34] The quotation from Whittaker appears in Lokos, *House Divided*, p. 88; the speech appeared in *Vital Speeches*, March 15, 1967, p. 327.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

campaigns and the major acts of legislation such as the Civil Rights Act of 1964 are honored as decisive turning-points in American history.

And yet, sixty years after the beginnings of this shift, there is still a deep sense of victimization on the part of blacks. American society remains accused of racism (as we see in the demand for reparations and in the recurrent charges of "racial profiling," of continuing discrimination, etc.); there is a high level of black-on-white crime; and the cultural divide between blacks and whites, although in some ways closed, is still quite wide. Forty years after King's speech at the Lincoln Memorial, his son said "people of color are still being denied a fair share of employment and educational opportunities in our society."[35] Black columnist Carl Rowan speaks on "a larger American society in which racism permeates everything."[36] The time has come to ask a question that is every bit as heretical as the child's observation that "the emperor has no clothes": "What," we are prompted to ask, "went wrong"?

The prevailing consensus will be loath to admit it, but there was arguably a better way. That more gradualistic alternative was brushed aside primarily for two reasons: because there was a desire for more rapid change than it offered; and because a rapid jump to "full equality" seemed most to comport with acknowledged American ideals of equality before the law and respect for all persons.

The two great paradigms for the amelioration of racial relations in the United States were put forward a century ago by Booker T. Washington and W.E.B. DuBois. Washington called upon his fellow blacks, recently risen from slavery, to advance their position by cultivating themselves through hard work and earned respect. DuBois saw this as a form of surrender to social injustice, and demanded immediate equality in all areas of American life.

To those who perceive the theory of a free society entirely in model-building terms, asking themselves what the principles of such a society ought to be, DuBois was correct – everyone is entitled, without delay and at all times, to an entire measure of rights. The alternative to this is

---

[35] Wichita Eagle, August 24, 2003, report "A dream remembered."

[36] Wichita Eagle, November 30, 1999, column by Carl Rowan.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to see those principles in their historical context, recognizing the terrible exceptions that history has sometimes imposed. Thomas Paine had thought that Americans were in a position "to make the world all over again." But slavery, an existing institution with historical roots going back thousands of years and one that was ingrained in the culture and economy of a major section of the country, was a "bone in the American throat." Its existence did not mean that the United States was not, in its overall embrasure of the philosophy of John Locke and the Enlightenment, an extremely meaningful departure from the ways of the past. In his Farewell Address in 1837, Andrew Jackson argued that the American experiment was so valuable that it should not be brought to smash over the issue of slavery. He urged that the contending voices be lowered. When he argued in this fashion, he was not arguing from an ideal model, but from the priorities imposed by history, placing the aspirations raised by those ideals in the context of existing facts. This historically-minded perception of what a free society requires at a given point in time is something that is almost incomprehensible to those whose ideological rigidity causes them to think rationalistically without regard to context.

Those who in the post-World War II era argued for gradualism in the improvement of race relations understood that coercion, through "mass civil disobedience" and legislation, is anathema to a free society. They had the wisdom to see that the slow growth of fraternity through mutual respect is far preferable, and much more likely to be permanently successful. The condition of blacks in America had been improving rapidly over what had been, in historical terms, a very short period of time. The civil rights movement was a classic case of a "revolution of rising expectations." In all such revolutions, activists step in to claim credit for improvements that have actually been brought about by much less noticeable subterranean forces.

If the continuing emphasis had been on good will and on building the foundations for mutual respect and affection, that improvement would almost certainly have continued and perhaps even accelerated. It would have depended in the main on everyone's behavior and long-term cultural compatibility. If blacks and whites proved culturally very different from one another, this would have resulted in a mutually-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

acknowledged separation; if not, "integration" socially and economically would have been the most natural evolution. This, in turn, would have led through an amicable process to the removal of disabilities. Whatever would evolve would lack a deep sense of alienation and victimization, and it would respect the sovereignty of individuals over their own associations.

This is the path the "civil rights movement" consciously rejected. In doing so, its leaders were profoundly influenced by the alienation the American artistic-literary culture – the "intelligentsia" – had long felt toward the mainstream of American society. Perhaps the central motivating feature of the "Left" since it arose in Europe beginning in about 1820 has been a deep animus against people in virtually all walks of life – business, agricultural, professional – in the predominant society. DuBois absorbed this alienation, with fateful consequences for the United States in the post-World War II era. American racial relations continue to suffer from it.

2. Are there differences between blacks and whites, considered as a whole, that should be taken into account in determining the justice of their relationship? There may be another reason the alienation-based movement to force equality was bound to be non-productive. It may have been demanding far more than facts about the respective races would justify, and complaining about "disproportionalities" that have not been the result of racism at all. If the premise is incorrect that the races are "the same" in all their qualities, disparities in outcome in many fields of life would not be surprising.

The discussion of potential differences between the races has been treated as a complete taboo, reflecting again the semi-totalitarian nature of contemporary public discourse. When a sportscaster or a coach has mentioned any difference at all between the abilities of white and black athletes, the media have pointed with alarm as though the very idea were a scandal. No apology need be made here for ignoring this taboo, which is so totally a negation of free inquiry.

A good example of what is at issue came up in Wichita, Kansas, during the summer of 2003. Complaints were made that a higher percentage of black students were suspended by the Wichita public school district than of white students. "African-American students made

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

up less than 24 percent of the Wichita district's enrollment last school year and accounted for nearly 46 percent of the suspensions, according to the Kansas Department of Education," the *Wichita Eagle* said. The report went on to quote a black student as saying, "It all boils down to, racism still exists today." The paper apparently considers this true, since it dutifully set out columns tabulating the respective percentages.[37] A 17-year-old high school student may be forgiven for not seeing the conceptual flaw in the statistical comparison, but an adult who accepts the comparison at face value is almost certainly engaging in a sophistry for ideological or other reasons. The comparison, as is obvious, should not be between the percentage of suspensions and the percentage of black students in the schools. Rather, it should be between the percentage of suspensions and the percentage of black students *who are misbehaving* in the schools. If *that* comparison were made, the rate of suspensions may be just right, too high, or too low. We aren't told anything about that by the sort of comparison that fails to take behavior into account.

The same can be said for the frequent reports that tell us that black drivers are given more tickets than white drivers. Again, the only valid comparison is between the percentage of blacks and whites, respectively, in the population and the percentage of blacks and whites, respectively, *who are violating the traffic laws*.

In the suspension case, it is interesting that the deputy superintendent of schools in Wichita acknowledged a racial difference in behavior, although he used multiculturalist ideology to explain it away: "He said many teachers are raised in middle-class families and sometimes don't know how to react to kids in poverty. For example, maybe a child comes from a home where yelling or even profanity is normal."[38] It is doubtful whether he realized the incredible significance of this admission of a difference in culture.

We have cited the misuse of statistics in the school-suspension and traffic-ticket instances. This same demagogic misuse is applied in

---

[37] Wichita Eagle, September 8, 2003.

[38] Wichita Eagle, September 8, 2003.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

countless other areas in a superficially successful demonstration of how "racist" American society continues to be. Thus, a headline in the *Wichita Eagle* a few years ago read "Feds fire minorities more often. Wide gap shows in federal practices." The article explained that "overall, minority men were dismissed at more than three times the rate of whites, and minority women at double the rate of whites."[39] Again, the comparison was fallacious; to speak to the issue of discrimination, it should have been between racial percentages in the workforce and the percentages of workers in both races *who were performing their jobs adequately*.

One suspects that the same fallacy underlay black columnist Carl Rowan's complaints that "in 1993, the median income of white households was $32,960, but for black households, only $19,533. In 1992, 46.6 percent of black children under age 18 lived in poverty, compared with 16.9 percent of white children. Black babies in America are twice as likely to die within the first year of life as white babies... 31.7 percent of black teenagers in the labor force could not find work, while only 12.9 percent of white youth faced that plight. Why? Why? Why?"[40]

The conceptual demagoguery is likely to have severe effects in the context of the predictable failure of President George W. Bush's "No Child Left Behind" educational initiative, in which schools will be subject to draconian penalties based on statistical disparities in how well their students do, regardless of who those students are. The refusal to be honest about racial differences will inevitably come down hard on teachers, administrators and school districts.

Thus far, I have pointed to the behavioral differences that need to be considered. The issue has another, perhaps even more fundamental, dimension. It is one I hesitate to say anything about other than tentatively, however, because I am not an expert in psychometrics. This is the issue of comparative intelligence. Several social scientists have had the courage to study racial differences in intelligence, despite the taboo that demonizes them for doing so and the wall of silence that surrounds

[39] Wichita Eagle, December 14, 1993.

[40] Wichita Eagle, January 5, 1995, column by Carl Rowan.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the subject in public discussion such as we have seen in the Wichita newspaper.

Among these have been Richard J. Herrnstein, a psychometrician from Harvard, and Charles Murray, a social philosopher from the American Enterprise Institute. Their book *The Bell Curve: Intelligence and Class Structure in American Life* appeared in 1994. Here is what I reported about their findings in my review of the book at that time:

> "That the distribution of intelligence among blacks – in a bell-shaped curve that is offset somewhat to the left of that of society at large – is not such as to make available large numbers of persons who are intellectually capable of success within the cognitive professions. There are many very intelligent blacks, but their percentage at the higher scale of intelligence doesn't match the percentage of blacks in the population as a whole. What this means, say, is that if universities and government departments adopt a policy, as many are, of hiring almost all minorities until a certain social reconstruction is achieved, they will be competing for the same small pool of qualified individuals. This will force them to lower their standards, will cast a shadow of doubt over the achievements of all blacks, and will cause resentment among those who, though better qualified, are displaced....
>
> "That blacks are already equally, and sometimes overly-represented, in high-level positions – and in education, occupations and wages – relative to what would be predictable if intelligence were the criterion."[41]

If the Herrnstein-Murray findings are valid, they mean that the mental landscape of the civil rights movement and of the resentment against "white racism" needs to be reexamined from the ground up.

It should be pointed out that differences in levels of intelligence between two groups is not a reflection on the moral worth of the individuals within those groups. A person with a 90 I.Q. may have better character than someone with a 150 I.Q. Differences, if indeed they exist, are factually very important and have great explanatory potential; but

---

[41] Review by Dwight D. Murphey of Richard J. Herrnstein and Charles Murray's *The Bell Curve: Intelligence and Class Structure in American Life* (The Free Press, 1994). The review appeared in *Conservative Review*, January/Febrary 1995, pp. 35-38.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

they are not to be confused with aspersions belittling a race as human beings. One reason for the taboo against inquiring into such differences may be the fear that the results would be used as a reason for disparagement. The American Left profoundly believes that American whites are inherently racist; and in that context it is bound to expect a racist misuse of information about racial differences in intelligence. Another reason for the taboo is almost certainly that an acknowledgment of differences would undercut virtually all the racial ideology and rhetoric of the past half-century. It would deeply undercut the myth we are discussing in this article.

3. Does massive civil disobedience fit into the theory of how a free society is intended to work? There is no need to comment again about the destructive effects of lawlessness. In what Karl Popper called "an open society," with many avenues of speech available, it is to be presumed that the ordinary functioning of the society will make possible the most diverse expression of views and of grievances. There are orderly processes of speech, much as organized legal institutions preempt a role for vigilantism.

For various reasons, however, it may come to be felt that a standard system of "free speech" doesn't work, at least not meaningfully. All sorts of people and viewpoints may feel there is an insurmountable problem of how to "get the attention" of the public and of the society's institutions. Moreover, even if the public's attention is gotten, there may be the problem of how to cause it to respond in the desired way. Associated with this are the assumptions, which such people certainly consider sound, that they have a right to commandeer the attention of people who would otherwise be indifferent to their cries and further that they have a right to obtain a given response.

Someone is likely to see things this way if the person perceives the society as systemically dysfunctional. In such a case, the system is not presumed to work satisfactorily. Herbert Marcuse, a member of the Frankfurt School of neo-Marxist intellectuals who have played so central a role in post-World War II ideology, and a leading philosopher of the New Left, expressed such a view in his essay on "repressive tolerance." He argued that free speech is actually a vehicle for bourgeois manipulation of the masses, and called for the repression of all views on the right

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and allowance of all those on the left.

The assumptions behind the American civil rights movement, with its primary vehicle of massive civil disobedience, have been identical to the two assumptions mentioned above. A society imbued with white racism would not listen to, and then act appropriately on, black grievances unless it was caught by the nape of the neck and shaken.

Cultural conservatives in the United States feel very much the same way today, although they are barred from "direct action" techniques by the fact that they consider any form of lawlessness contrary to their ideals. The perception is (as I have myself argued earlier in this article) that American society is governed by an elite, with the opinions of the great mass of the people counting for very little. We have seen the extent to which the American people live under a cloud of myth and ideology, despite their frequently professed abhorrence of ideology. Many ideas that would contest the conventional wisdom are suppressed altogether. One can imagine that John Stuart Mill and John Milton would be shocked that such a thing can happen within their "open marketplace of ideas."

There *are*, then, systemic problems that can arise in a system of free speech, vitiating its effects to a great extent. The question is whether massive civil disobedience (or violence, as the next step) is a constructive solution. This question will never be resolved completely, but it is reason for those who are concerned about the well-being of a free society to see to it that the organs of inquiry and communication are, at any given point in time, in good health.

4. What is the prevailing ideology in America, and is it consistent with what are commonly seen as "American ideals"? The ideology of "multiculturalism" that has become dominant in the United States for perhaps the past thirty years holds to one central principle: atomization for whites, and ethnic cohesion for everyone else. Multiculturalist ideology installs a ubiquitous double standard, with one set of principles for white Americans and another for minorities.

This is much broader than simply "affirmative action" in employment and job-letting. Any form of separatism for whites, and especially white males, is forbidden, while separatism of a great many kinds flourishes for everyone else. One small example: that separate gradua-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tion ceremonies are sometimes held for black students at a university before those students then participate in the larger all-university ceremony, at which they may wear colorful sashes proclaiming their racial pride.[42] Another: that there is in Congress a "Black Caucus," while a "White Caucus" would be universally condemned as despicable.

At one time, it was thought that these were temporary exceptions that would exist only until the larger society had come fully to accept blacks. But there isn't much mention of that anymore.

The American people have acquiesced in this duality just as they acquiesce in most of the dominant *ethos*. Their acquiescence doesn't tell us much, except as a comment on their inertia and desire not to be discomfited in the pursuit of daily life. What we need most to understand about the duality is that it springs from the same source that the rest of the Left's ideology has since about 1820: the long-burning, white-hot animus of the "alienated intellectual" against the mainstream "bourgeois" society. It isn't accidental that we have had occasion to mention this before. It is fundamental to an understanding of today's mental fixations.

When we ask whether this prevailing ideology is consistent with "what are commonly seen as American ideals," we are asking a question that can only be answered by a decision about whether or not the alienation that has burned for so long is itself valid.

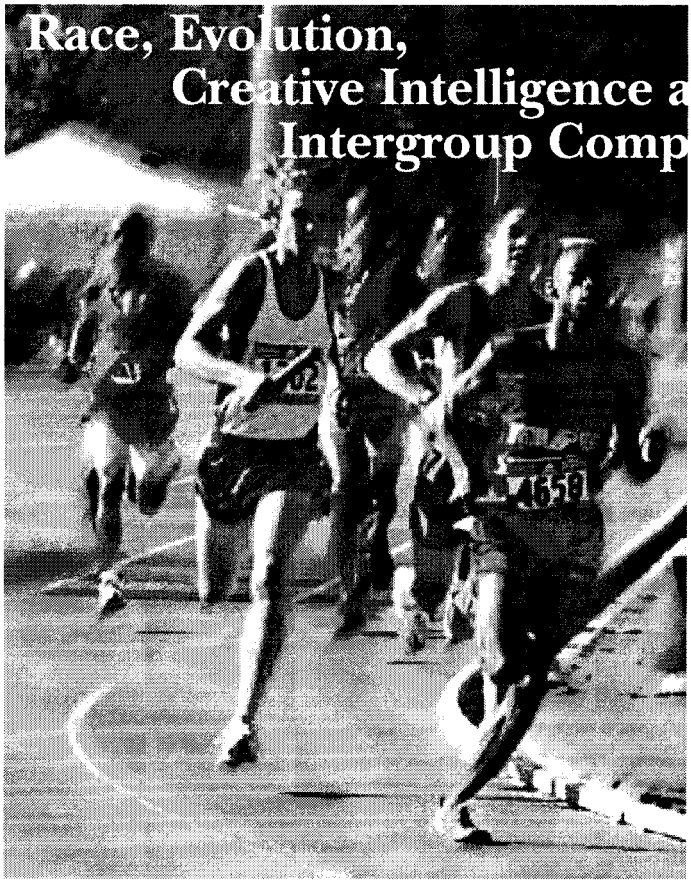
Conclusion

In this article, we have sought an understanding of America's idealization of Martin Luther King, Jr., and the civil rights movement he led. This has carried us into more areas than most readers will have thought possible. A full understanding requires a grasp of facts, concepts and history that go beyond the simplified images commonly entertained.

[42] This has been done at Wichita State University for several years.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Race, Evolution, Creative Intelligence and Intergroup Competition



Edited by Alan McGregor, five distinguished academics present arguments which support the view that human evolutionary advance resulted from competition between rival populations as well as from competition to reproduce from within individual breeding pools.

ISBN 1-878465-15-5. -
$16.00 – Postage $3.50 (USA) $5.50 (foreign)

Scott-Townsend Publishers
socecon@aol.com
P.O. Box 34070, N.W., Washington, D.C. 20043
TEL: (202) 371-2700 FAX: (202) 371-1523

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Feminism in the Postmodernist Age

A. Lanre-Abbas Bolatito[1]
University of Ibadan, Nigeria

The author identifies feminism as a product of Modernism, which in turn she sees as having its roots in the Enlightenment. She notes that Postmodernism rejects the universalities assumed by Modernism, and concludes that in the Postmodern age feminists will accept the fact that while women around the world share certain common interests, their aspirations will necessarily vary in accordance with ethnic, cultural and regional environments.

Key Words: Feminism; Patriarchy; The Enlightenment; Modernism; Postmodernism; Universalism; Ethnic, Cultural and regional diversity.

The task of fashioning a postmodernist feminism seems an impossible one when taken at face value. This is particularly so when one recognizes the fact that postmodernism and feminism appear to have conflicting objectives.

The task of fashioning a postmodernist feminism seems an impossible one when taken at face value. This is particularly so when one recognizes the fact that postmodernism and feminism appear to have conflicting objectives.

The postmodernist argument has issued a number of challenges: to the idea that we can continue to think, write and speak of culture as representing a continuous progress; to the idea that humanity is proceeding towards a *telos* of 'emancipation' and 'self-realization'; and to the idea that we can invoke a universal subjectivity in speaking about the human condition.[2] Yet these are the hallmark concepts of modernism. Postmodernism is thus a critique of modernity, and of the Enlightenment from which modernism derives. For example, it has been thought that human beings are possessed of a stable, coherent, rational self, and that rationality applied in the pursuit of science and knowledge

---

[1] Correspondence to Professor A. Lanre-Abass Bolatito, Dept. of Philosophy, University of Ibadan, Nigeria

[2] See Kate Soper 'Feminism, Humanism and Postmodernism' in *The Woman Question,* edited by Mary Evans (London: Sage Publications 1994) p.10.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

will deliver truth.[3] Postmodernism disputes the notions of self, knowledge and truth. Also, it distances itself from the Enlightenment, which sought to enthrone reason in place of religiosity, superstition, mythology, and mysticism.

By contrast, the goals of the Enlightenment seem in line with some of the main objectives of feminism, among which is the promotion of a state of affairs in which women can expect no less from society than men in the way of material and moral support. Feminists are of the view that this aim can be achieved by rejecting the traditional roles imposed on women by religion and custom. Yet, despite the common goals of feminism and of modernity, I see areas where postmodernism and feminism converge, and this paper will assess the extent to which a new postmodernist feminism may emerge.

The Idea of Postmodernism

For the purpose of this paper, the idea of postmodernism will be categorized under three subheadings. These are postmodernism as a critique of modernity, postmodernism as an aversion towards modernity's universalism, and postmodernism as a completion of the incomplete project of modernity.

Postmodernism as a Critique of Modernity

There is always the problem of how far back one can date modernity, but most historians of literature date it back to the 17th century, which was also referred to as the Enlightenment. As a period in cultural history, modernism usually denotes advanced or avant-garde European and American art and thought, though it has also been used to describe more general social conditions and attitudes.[4] Before this period medieval European thought was dominated by the church, which tolerated some superstition and myth but which suppressed much independent rational enquiry, regarding almost any intellectual activity outside the church as a challenge to its authority. The task of the Enlightenment philosophers was to emancipate the people from

[3] Stevi Jackson et. al. *Women's Studies: A Reader* (New York: Harvester Wheatsheaf 1993) p.5.

[4] Edward Craig (ed) *Routledge Encyclopedia of Philosophy* (London: Routledge 1998) p. 447.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

religion, myth and superstition, through the instrument of reason, separated from emotion and will.

However, the Enlightenment project was viewed as an aesthetic project, the self-conscious endeavour of a group of innovators to further certain values and achieve recognition.[5] It promised the emancipation of the individual through the cultivation of reason; they therefore turned reason into the only form of knowledge and everything was turned into abstract formality.

Reason for the modernists would bring about knowledge, which would in turn produce power, mastery and dominion over nature and the environment; this would the lead to technological progress. Enlightenment therefore reduced the whole enterprise of knowledge to the dominance of 'reason.' In this regard, one can quickly add that while modernism sought depth and abstraction, postmodernism turns toward surface and particularly.

Postmodernism arose as a critique of the Enlightenment's quest to turn everything to abstract formality of reason. Thus, Maggie Humm[6] sees postmodernism as a radical break from the modernist periodizing. The postmodernists are of the view that the reduction of everything to reason has reduced reality to mere formal abstraction and thereby failed to take cognizance of the content of the world; as a result the reality they projected through reason does not portray the world as it really is despite the persistent definition of modernism in terms of an aspiration to reveal the essential truth of the world.

Also, the role of reason as it relates to our acquiring knowledge to conquer, master and to have dominion over nature and the environment was also criticized by postmodernism. The argument is that the dominance over nature being stressed by the Enlightenment could be extended to dominance over human beings; it is also argued that the vestige of the dominance over human beings could be seen in the world. For example, it is the technological development that led to the invention of terrible weapons of war. Thus, Jean Francois Lyotard[7] sees

[5] Ibid. p. 448.

[6] Maggie Humm: *A Readers Guide to Contemporary Feminist Literary Criticism* (New York: Harvester Wheatsheaf 1994) p.155.

[7] Jean Francois Lyotard, "Answering the Question: What is Postmodernism?" in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the emancipation promised by the Enlightenment as an illusion.

Postmodernism as an Aversion Toward Grand Theories

A major consequence of the Enlightenment's enthronement of reason is that reason then became universal reason and the only standard of judgment. It is this universalization of standards that postmodernism rejects. In the words of Fraser and Nicholson, central to the idea of postmodernism is the claim that the modern conception must give way to a postmodern one in which criticism floats free of any universalistic theoretical ground.[8]

The rejection of universal standards, grand narratives and totalities often underlies all postmodernist thought. This rejection cuts across all disciplines, such as architecture and literature. But in philosophy postmodernism challenges the idea that the task of philosophy is to look for general theories. To this end, the concern of philosophy is not about finding general theories of anything, hence the need to abandon the idea that has dominated philosophy since the time of Plato. As explained by Richard Rorty,[9] philosophy since the time of Plato rests on the mistake of looking for general theories of Good, Truth, Beauty, and so on. He opined that such theories are unlikely to be found, urging that we should not concentrate on such. As a result, he called into question all those theories that tend toward universal thinking.

Thus, postmodernism is waging war against totality by placing emphasis on difference. Following Francois Lyotard,[10] it designates a general condition of contemporary Western civilization. It is a call to reconsider our ways of thinking about society. Instead of grand theories our theories should focus on localism. The argument according to the postmodernists is that grand theories deny the specificity of the local tradition, hence the need to do away with them. Also, to say there is only

---

Postmodernism: A Reading, Thomas Doherty (ed), (New York: Harvester Wheatsheaf 1993) p. 46.

[8] N. Fraser and L. Nicholson, "Social Criticism Without Philosophy: An Encounter Between Feminism and Postmodernism" in *Postmodernism: A Reading,* Op. cit p. 416.

[9] R. Rorty, *Consequences of Pragmatism: Essays: 1972-1982* (Great Britain: The Harvester Press 1982) p. xiii – xv.

[10] Jean Francois Lyotard, *The Postmodern Condition: A Report on Knowledge*, trans. Bennington and B. Massuni (Minneapolis: University of Minnesota Press, 1984) p.18.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

one correct grand theory is to conceal the multiplicity of individual experiences.

The consequence of the aversion toward grand theories is that all grand narratives are classified as redundant and, as such, it becomes impossible for people to place credence in grand narratives. Such attempts at overarching and unifying schemes simply cannot encompass the diversity and fragmentation of society today. Hence, Lyotard[11] sees the day (s) of grand narratives as over. Since meta-narratives have been rejected, Lyotard reasoned that legitimization now becomes plural, local and immanent in contrast to the legitimization of grand narratives, which are single, universal and transcendent.[12] For him, the postmodern condition is one in which "grand narratives of legitimization" are no longer credible. Hence, he sees postmodernism as incredulity towards meta-narratives.

Postmodernism as a Completion of the Incomplete Project of Modernity

Central to this idea of postmodernism is the claim that the errors of modernity can be overcome; hence, the project of modernity should not be abandoned. This idea of postmodernism does not see postmodernism as an anti-modern movement, due to its emphasis on the need to retrieve modernity by correcting its mistakes. One can say, following Barry Smart,[13] that postmodernism grows out of and is continuous with, modernism. Also, the two epochs can be seen as engaged in a long-running and ongoing set of relationships with postmodernism continually pointing out the limitations of modernism.

Contrary to the above claim, Jurgen Habermas[14] opined that modernity made the mistake of fragmenting life, so as to bring emancipation and progress. The project according to him boomeranged and even led to the opposite of what it was intended for. Seen from the viewpoint of postmodernity, modernity was a cultural epoch and 'episteme' founded

[11] See Lyotard on the Postmodern era in E.C Cuff, W.W Sharrock and D. W Francis (eds) *Perspectives in Sociology*. (London: Routledge 1998) p.295.

[12] Fraser and Nicholson, "Social Criticism Without Philosophy: An Encounter Between Feminism and Postmodernism" in *Postmodernism: A Reading* op. cit. p. 418.

[13] Barry Smart, *Postmodernity* (London: Routledge) p. 5.

[14] J. Habermas, "Modernity: An Incomplete Project" in *Postmodernism: A Reading* op. cit. pp.104-105.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

on a humanistic belief that the world is one. This long-standing belief, embedded in realist art, representational politics and empirical science, is understood as claiming that a common denominator can be found for all systems of belief and value; that the world is a unified field that can be explained by a single explanatory system. As this belief developed through increasingly secular and materialistic practices, it became less secure in its claim to universal applicability.[15] Though the criticism against modernity is often claimed to be valid, for Habermas it is not a sufficient reason to abandon modernity.

Therefore, the solution he proposed was that of the unity of life: meaning, in essence, that to overcome the problem of modernity all the spheres of life that have been demarcated by modernity must be reconciled with everyday life. The reconciliation would be in the form of an interconnection between the different spheres and it would be based on communication such that it would be a consensus or agreement among the community of rational minds.

The Idea of Feminism

Feminism is usually broadly defined as an active desire to change women's position in the society.[16] Linked to this is the view that feminism is a social movement for change in the position of women. Its privileged form is taken to be the political movement, the self-organization of women's politics. In this regard, any group that has tried to change the position of women or ideas about women has been granted the title "feminist."

Accordingly, a feminist can be defined as someone whose central concern and pre-occupation lies with the position of women and their persistent struggle for emancipation. According to Ray Stratchey's definition, feminists share the same aims and the same general ideas, the same broad center of their lives.

It is practically impossible to discuss feminism without discussing its objectives. However, because women have been oppressed, their

[15] *Routledge Encyclopedia of Philosophy* p. 587.

[16] Professor Olive Banks, for example, employs this broad definition: 'Any group that have tried to change the position of women or ideas about women have been granted the title "feminists" in her *Faces of Feminism* (Oxford: Martin Robertson, 1983) p. 3.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

experiences may have been altered by the instrument of oppression and women may therefore not possess the skills of communicating their experiences in ways that can be readily understood. Feminists therefore see part of their task as articulating women's reports or enabling women to articulate these reports themselves.[17]

Closely connected with the above is the task of searching out or identifying the oppressive elements that have distorted women's experience, including the experiences of feminists themselves. A feminist must do her best to search out these oppressive elements and analyze women's unique experiences.[18]

Central to the objectives of feminism is the emancipation of women from oppression, which is given expression in patriarchy. Feminists must have an awareness that women are oppressed and how this relates to patriarchy. "Patriarchy" can be defined as a general organizational feature of society that was initiated by men, continues to be maintained by men and has men as its principal beneficiaries. The term arises out of the traditional belief that men are the heads of their families and their wives are subordinate to them and also out of the traditional claim that women do not exist in their own right but only in relationship to men either as mother, daughter, wife or mistress. The Yoruba society, for example, is patriarchal in nature. This is evident in the fact that the military, industry, political offices, universities, science, technology, finance, in short all the corridors of power in the society, are dominated by men. Traditionally, the father has complete ownership over his wife or wives and children, including the power of physically abusing the woman. All these powers are granted by the institution of patriarchy.

Patriarchy is reflected in many religions. Both Christianity and Islam believe that women were created out of men. To this end, the Bible has it that the woman was made out of a man's rib.[19] This is the origin of the subordination of women to men. This subordination is seen in every sphere of life. In the Quran, women cannot lead prayers. In fact, Islam

---

[17] Minas A. *Gender Basics: Feminist Perspectives on Women and Men* (California: Wordsworth Publishing Company, 1993) p. 6.

[18] Ibid, p. 5.

[19] *The Holy Bible* chap. 2 verses 21-22, King James Version (Great Britain: Syne and Spotishoode Publisher)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

preaches putting women in "purdah." This in effect reduces their ability to assert themselves because a women in strict purdah can neither work nor go out of the house. Likewise in the Old Testament of the Bible women are not allowed to speak in the church as preachers, and when men are speaking, the women must be silent.

Ordinarily, some professions are seen as feminine; for example, the nursing profession. This is because of the emotional attachment involved in this profession. The work of the secretary is also commonly filled by women, because secretaries are subordinate to their boss. Patriarchy may dominate every sphere of human life, and it is this the feminist strongly rejects.[20]

But in addition to eliminating all patriarchal structures, feminism has as its aim the commitment to understanding women's own perceptions of their situations. Feminists insist that because women as a group have been neglected in the past, we should make special efforts to pay attention to, understand and respect their reports of their experiences. This would enable them to take cognizance of the particular situation and different experiences of women rather than ascribing just a single experience to all women.

Lastly, feminism also aims at correcting the impression people have about women as second class citizens and also at restoring women's self-image and their self-worth.

However, the larger project of feminism - its implications, perspectives, strategies, and possibilities - appeals in varying degrees to numbers of women of all cultures, ages, races, religions and classes. There is not one feminism but rather several different versions of feminist thought. The tripartite division into liberal, radical and socialist feminisms no longer accurately describes the great diversity of positions. One basis on which feminist perspectives can be distinguished is the degree to which they are described as 'essentialist' and anti-essentialist. 'Essentialism' is characterized by the argument that women are 'born, not made,' that 'womanhood' is innate rather than socially constructed. Though few feminists deny the sociocultural construction of gender, feminist critics like Teresa de Lauretis argue that it is still possible to talk about the

[20] Minas, A. p. 6.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

'essence' of woman.

It is the specific properties (e.g., a female-sexed body), qualities (a disposition to nurture, a certain relation to the body, etc.), or necessary attributes (e.g., the experience of femaleness, of living in the world as female) that women have developed or have been bound to historically in their differently patriarchal sociocultural contexts that make them women, not men.[21]

Feminists vary, de Lauretis argues, in the emphasis they place on the various qualities, properties and attributes of sex and gender, as well as in the valuing of them. Nonetheless, she asserts, a modified essentialism is the very basis on which feminist thinking differs from non-feminist thinking, enabling all the different branches of feminist thought to be termed 'feminist.'

Thus, the essentialist feminist would claim that there are some roles that are essentially feminine and therefore cannot be ascribed to men. For example, Nancy Chodorow[22] claims that there are observable psychic differences between men and women. In order to differentiate between the attributes of men and women, the essentialist feminist ascribes qualities like sympathy, compassion, kindness, caring for others, human concern and emotional responsiveness to women. While qualities like rationality, absence of emotion, strength of will, etc., are essentially ascribed to men.

The anti-essentialist feminists, on the other hand, argue that mothering and caring for children, which is commonly regarded as a feminine role by nature, can in principle be undertaken by either sex; hence, any authority that might be reserved for women in terms of caring and mothering is due to the sexual division of labor that existed in history.[23] According to this group of feminists, people fail to make a distinction between sex roles and gender roles. They claim that gender roles are social and not biological. For example, if child-rearing is classified as a

---

[21] De Lauretis, T. (1989) 'The Essence Of The Triangle Or, Taking the Risk of Essentialism Seriously: Feminist Theory in Italy, US and Britain", *Differences*, Vol. I, no. 2, pp.5-6.

[22] Nancy Chodorow, *The Reproduction of Mothering: Psychoanalysis and The Sociology of Gender* (London: University of California Press, 1978) p. 3.

[23] Savina Lovibond "Maternalistic Ethics: A Feminist Assessment" *South Atlantic Quarterly*, Kay 1994, Vol. 1, No. 4, p.781.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

female role, it is a female gender role, not a female sex role since child-rearing can be done by a male or a female. On the other hand, sex roles refer to biological functions limited to a particular sex, such as child-bearing.[24] Anti-essentialist feminists resent the attribution of specialized gender roles to women. They do not see the role of mothering and caring given to women as essentially their peculiar role. Rather, they want men to share in them. Also, according to them, the so-called female qualities of character are not inherently a part of the nature of women, but rather they see these qualities as being socially determined. In essence, they claim, it is the society, culture and tradition that ascribes such qualities to women, not nature.

In light of the ideas of postmodernism and feminism examined thus far, one may make certain observations. First, there is at best an uneasy relationship between postmodernism and feminism. Few feminists are willing to label themselves postmodernists; and similarly, many postmodernists are profoundly skeptical of the feminist movement. This is partly due to the fact that there is not one "feminist" position, but rather many "feminisms." A more fundamental reason for the uneasiness between postmodernism and feminism is what Susan Hekman sees as the profound ambiguity in the feminist heritage.[25] Contemporary feminism is both historically and theoretically a modernist movement. The eighteenth and nineteenth century roots of the feminist movement lie in liberal humanism, a movement that is one of the primary objects of the postmodernist challenge. This movement aims at achieving equality with men by doing away with patriarchy, which is an offshoot of religion, myth, and tradition. This aim is in line with the Enlightenment project of modernity that is to dethrone religion, myth and tradition in order to enthrone reason, so as to give room for progress.

Thus, modernism promised emancipation from the traditional way of life. Feminism inherits a legacy that is thoroughly modernist, a legacy rooted in the emancipatory impulse of liberal-humanism. Modernist values are very much a part of contemporary feminist positions.

---

[24] For this distinction, see "Principal Concepts Linked to the Notion of Gender" culled from Unicefs Gender Training manual on *Women's Equality and Empowerment*, Annex 3.

[25] Susan J. Hekman, *Gender and Knowledge: Elements of A Postmodern Feminism*, (Oxford: Polity Press 1990) p. 2.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The consequence of this is that postmodernist thought, to the extent it is a critique of the emancipatory project of modernity, would not support the emancipatory objective of feminism. If postmodernism truly is a critique of the emancipatory project of modernity, the implication of this would be that postmodernism tolerates the traditional communal norms of gender subordination that the feminists are trying to overcome. This point was explicitly made by Fredrick Jameson[26] when he described postmodernism as the end of ideology, art or social class, the crisis of feminism, social democracy, or the welfare state. Taken together, all of these perhaps constitute what is called postmodernism. A look at postmodernism and feminism from this point of view suggests that feminism, as a universalist movement, will not flourish in a postmodernist intellectual environment.

Furthermore, some have argued that feminism as a social movement adopts various meta-narratives in its theorizing.[27] While historical categories like gender identity, sexuality, reproduction and mothering are elements of universality, feminists have often contributed to the postmodern undermining of Enlightenment certainties by invoking "women's different experiences" to challenge the 'grand narratives' of Western history. Feminism, as we have seen, has 'heavily valorized' women's own narratives of their own individual experiences.[28]

It can be inferred from the above that there are areas where feminism and postmodernism agree. This can be seen in the rejection of certain dichotomous categories that are persistent in modern philosophy. Feminists have argued that rationalism, particularly in Kant's sense, de-emphasizes virtues that can be called female, while those that can be called male are emphasized. In the ethical sphere, the rationalist conception of a good man is one who acts rationally rather than emotionally, thus downplaying qualities such as sympathy, compassion,

---

[26] F. Jameson "Postmodernism, Or the Cultural logic of late Capitalism" in *Postmodernism: A Reading* Thomas Doherty (ed) op. cit. p. 62.

[27] N. Fraser and L. Nicholson, "Social Criticism Without Philosophy: An Encounter Between Feminism and Postmodernism" in *Postmodernism: A Reading*, Thomas Doherty (ed) op. cit. pp.426 – 428.

[28] Jane Flax, 'Postmodernism and Gender Relations in Feminist Theory', *Signs*, 12, No. 4, (summer 1987) pp. 621 – 43.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and emotional responsiveness.[29] This conception, for the feminist, is not only sexist but perpetuates the common Enlightenment dichotomy that places women in an inferior position. By contrast, the postmodernist trend is challenging fundamental dichotomies, such as rational/irrational and subject/object.

Feminists tend to reject Kant's moral theory because it entrenches certain dichotomies. They do this because it has been claimed by Blum,[30] among others, that qualities such as rationality, the universal principle of duty, and an absence of emotion are more characteristic of men. Since these qualities are antithetical to qualities such as docility, charm, modesty and complaisance, which are attributed to women, this ranks women subordinate to men. Feminists see this alleged dichotomy as an attempt by men to relegate women to a subordinate role.

Given the fact that feminism has some things in common with post-modernism, the question now is: will a new postmodernist feminism emerge as postmodernist thought replaces modernist universalism?

The Possibilities of a Postmodern Feminism

There seems to be a prospect of a newly emerging postmodernist feminism. This is so because the term 'postmodernism' often is used to describe the whole of contemporary culture. Because its concern is with contemporary culture, this could be linked with contemporary women in their cultural setting and practices, such that special attention would be given to different experiences in different cultures. Talking about what a postmodern feminist theory might look like, Fraser and Nicholson[31] suggest that it must be explicitly historical, attuned to the cultural specificity of different periods and societies and to the sub-groups within them. It would be comparative, not universalizing. Instead of a subject of history and unitary notions of women and feminine gender identity, it would speak of plural, complex, constructed social identities, where race, class, age and so on would be significant. It would present itself as

[29] L. A. Blum "Kant's and Hegel's Moral Rationalism: A Feminist Perspective" in *Canadian Journal of Philosophy*, Vol. XII, No. 2, June 1982, pp. 288 – 294.

[30] Ibid. p. 291.

[31] N. Fraser and L. Nicholson, "Social Criticism Without Philosophy: An Encounter Between Feminism and Postmodernism" in *Postmodernism: A Reading* Thomas Doherty (ed). op. cit. pp. 248 – 429.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

pragmatic and fallible, more like a "tapestry composed of threads of many hues than one woven from a single color." They add that it would aid political practices that can no longer rely on a theoretically constructed subject but must build a "patchwork of overlapping alliances".

Here, the focus would be on the relativity of experience, rather than looking for a feminism that would explain and account for all the feminist goals across all cultures. A postmodernist feminism, in essence, will recognize the diversity of women's needs and experiences. It will amount to the fact that no single solution, on issues like child care, social security and housing, can be adequate for all. Thus, the underlying premise is that while some women share some common interests and face some common social problems, such commonalities are by no means universal. Rather, they are interlaced with differences, even conflicts[32].

Indeed, some feminists have argued that Enlightenment discourses on emancipation have functioned as much to oppress as to liberate women. Contemporary feminists have analyzed the ways in which 'universal' principles - a feature of the Enlightenment tradition - were always contradicted by the Enlightenment's construction of a public/private split that consigned women to the 'private' realm of embodiment and domesticity in order to demarcate a public realm of reason and subjective sovereignty as essentially abstract, disinterested and above-all male[33]

The crucial question in discussions about the prospect of postmodernist feminism is whether it is possible to preserve the emancipatory ideals of modernity, which seems necessary to the very endeavor of feminism. Since part of the project of modernity coincides with the major goal of feminism, postmodernist feminism need not totally reject the project of modernity. Rather, a clue should be taken from Habermas that there should be unity of life and this can be done by correcting the formal abstraction of reason which modernity proposed, such that the

---

[32] Ibid, p. 429.

[33] Patricia Waugh 'Postmodernism and Feminism' in Stevi Jackson et. al. (ed) *Contemporary Feminist Theories* (Edinburgh: Edinburgh University Press 1998) p.180.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

different spheres of human life (reason, emotion and will) would be brought together in a way that each sphere would not lose its distinctness.

Postmodernism criticizes modernity for its emphasis upon the abstract formality of reason. The effect of the abstraction was that reality was robbed of its content when reason was enthroned at the expense of emotion and will. So if we are to go by Habermas' suggestion, instead of rejecting reason, we should accept reason, emotion and will, with each sphere retaining its distinctness. Thus, the disembodiment for which modernity was criticized would be overcome. The effect of this is that the alleged male virtue of rationality will be on the same level as the alleged emotionality of women, such that one would not be regarded as superior and the other inferior or subordinate to it.

This essay has been able to trace the convergences between contemporary feminist thought and postmodernism. The two movements are by no means identical. They spring from different theoretical and political sources and, at present, regard each other with suspicion. However, the similarities between the two movements are striking. Feminism and postmodernism are the only contemporary theories that present a truly radical critique of the Enlightenment legacy of modernism. No other approach on the contemporary intellectual scene offers a way to displace and transform the masculinist legacy of modernity.[34] This fact alone creates a bond between the two approaches.

[34] Susan J. Hekman, *Gender and Knowledge: Elements of A Postmodern Feminism*, (Oxford: Polity Press 1990)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Book Review

What Went Wrong?
The Clash Between Islam and Modernity in the Middle East
Bernard Lewis
Perennial, 2002

In *The Clash of Civilizations*, Samuel P. Huntington refers to "the Western and particularly American belief in the universal relevance of Western culture." He says that "normatively the Western universalist belief posits that people throughout the world should embrace Western values, institutions, and culture because they embody the highest, most enlightened, most liberal, most rational, most modern, and most civilized thinking of humankind." The central thesis of his book is that this belief is false, immoral and dangerous.

He points to nine coherent civilizations now existing in the world: the Western, Latin American, African, Islamic, Sinic, Hindu, Slavic-Orthodox, Buddhist and Japanese. People worldwide cherish their cultural identity. An interventionist drive by the West to universalize its way of life, Huntington argues, will meet resistance.

The belief Huntington criticizes has deep roots going back over a considerable span of time. One of its most tangible expressions was made recently, however, in the September 2000 report of The Project for the New American Century, an organization chaired by William Kristol. The report discusses in detail how to "translate U.S. military supremacy into American geopolitical preeminence." It expresses a point of view that has been immensely influential in the United States, especially since September 11.

Just as a magnifying glass can focus the sun's rays to burn a piece of paper, the clash of perspectives between Huntington and those whom we might call "The New Centurions" brings into concentrated focus a number of issues that are at once practical, intellectual and cultural. They are issues that challenge the learning and wisdom of educated people everywhere.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Is a claim of rightful preeminence sustainable if thoughtful people come to know the other civilizations in depth? That is something each educated person is called upon to decide. Ideally, the decision will be made upon a foundation of knowledge, not ignorance.

That is where a book like Bernard Lewis's *What Went Wrong?* comes in. It is a short, readable account of the history of Islam, concentrating particularly on the existential crisis that Muslims themselves have pondered for three centuries: "What went wrong" to topple Islam from the secure, self-confident, insular position it had so long enjoyed? For those of us who have much "catch-up" reading to do to become knowledgeable about Islam and its history, there is perhaps no better place to start than with this brief book.

Bernard Lewis is one of the world's leading commentators on Islamic society. His more than two dozen books include *The Arabs in History, The Emergence of Modern Turkey, The Political Language of Islam, The Muslim Discovery of Europe*, and *The Middle East: A Brief History of the Last 2,000 Years*. He is now an emeritus professor in Near Eastern Studies at Princeton University.

This most recent book contains an "Afterword" speaking to the situation since September 11, but one of its strengths is that it was written shortly before that event, being based on three lectures Lewis gave in Vienna in 1999. That means the preoccupations that have followed September 11 have not narrowed it from being what is most useful to those seeking a comprehensive background: an examination of Islam's historic self-perception; a review of Islam's vast conquests and eventual recession; and an analysis of the tensions introduced into Islamic life by the growth within recent centuries of European ascendancy and the accompanying issues of modernization and Westernization.

Lewis tells the story clearly, and he is in no sense an obscurantist. Nevertheless, the impression left by a study of the book's pages is that we will do well to keep in mind the line from *Hamlet*: "There is more in heaven and earth, Horatio, than is dreamt of in your philosophy." The issues for Islam are complex, and one is tempted to think that they will, over a long stretch of time, have to be worked out almost entirely by

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Muslims themselves. It requires an overweening hubris to suppose otherwise.

Dwight D. Murphey

Economics as an Evolutionary Science: From Utility to Fitness
Arthur E. Gandolfi, Anna Sachko Gandolfi and David P. Barash
New Brunswick, Transaction Publishers, 2002

Economics as an Evolutionary Science: from utility to fitness (New Brunswick, Transaction Publishers, 2002) is not an attempt to argue that current economics is an evolutionary science. Indeed, it is not. Instead, the authors, two economists (Arthur E. Gandolfi and Anna Sachko Gandolfi) and a psychologist (David P. Barash) try to rebuild economics on an evolutionary basis.

Economics attempts to explain how the economy functions, answering questions such as what is produced, who consumes what, and who produces what. In the traditional textbook, tastes are portrayed as a given. The heart of an economics course is price theory in which elegant mathematical arguments are used to derive consumer purchases of various goods. Yet at the basic level, no account is given of where the utility function comes from.

The authors attempt to remedy this problem. Their basic idea comes from evolutionary theory. The genes that come to dominate are those that out-reproduce others. Out-reproducing means leaving as many grand children or great grand children as possible (one could pick an even more distant generation but the language becomes awkward). We should have evolved so as to leave as many grandchildren as possible. This means that, in theory, the utility function should be expressed in units of grandchildren.

If this theoretical point is accepted, there are a series of implications that the book develops. All of an individual's income that is not used for maintenance (food, health, etc.) should be used for reproduction. Of course, some offspring may be more successful at having their own

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

children then others. The children that are likely to be more successful are referred to here as the higher quality children. Resources can be invested in children to make them healthier, more attractive mates, better educated etc. Thus there can be a trade off between having numerous children and having a few children, but of higher quality. The advantage to your reproductive success of having higher quality children is that they themselves will have more descendants, possibly as a result of being able to attract more mates (males) or better quality mates (both sexes). Biologists have recognized this distinction, with different species following either strategies of many offspring (r selected) or strategies of fewer, but higher quality offspring (k selected). Rushton has argued that different populations follow different strategies. For instance, in some non-human species the higher quality offspring may be bigger and hence less likely to be eaten. In theory, the humans that are most successful in leaving great-grandchildren make an optimal choice between many children and fewer children that are better fed, better educated, and are more likely to have numerous offspring. The better quality male children may be able to attract multiple wives, and have larger numbers of offspring through that route.

Humans are very unusual in that that they help their offspring raise their own children. The role of grandparents exists. Most other animals either abandon their children at birth, or raise them to reproductive maturity and then abandon them. Humans will frequently be observed to be helping their adult children. Humans are also observed to assist their grandchildren or their great grandchildren. They even leave money and other resources to their children or grandchildren. If these bequests help their descendants have more surviving children or descendants of greater quality (which may help these descendants attract more or better mates and hence leave more descendants themselves), the bequests are contributing to their reproductive success.

In accordance with this theory, when deciding which relatives to help, an individual should consider the different relative degrees of relatedness. Your children average 50% of their genes in common with you, your siblings 50%, and your grandchildren 25%. Evolutionary biology predicts that we would invest in our relatives in relation to this degree of relatedness. If we had the chance to save the lives of two

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

grandchildren or one child (of the same age) we should treat the two grandchildren as equivalent to the child.

In evolutionary logic, we would trade off the value of leaving bequests to our descendants (as a way assisting them in producing offspring and hence helping to perpetuate our genes), or directly investing in them. As is well known, capital is productive and a sum of money put aside and invested can earn interest. It will gradually grow to be a greater sum. At any one time the investor has to decide whether to invest the money, or to invest it in offspring, or to invest it in human capital (such as education) for existing children, or to consume it today (which may bring higher status). If one waits too long to convert capital into offspring, the chance to spend it on children is lost (either ones wife is too old for additional childbearing, or your children are too old for extra money to them to result in more grandchildren). However, because you are less related to your grandchildren than your children, waiting to accumulate more wealth risks leaving it to grandchildren rather than children. Since the grandchildren are less related than the children, this delay in gifting can only be justified if the increase in value over time is great enough so that in one generation the purchasing power (in children) approximately doubles.

All this theory is well worked out (with appendices providing the mathematical derivations). The natural question associated with such an elegant theory is to ask if it is true, i.e. does it make correct predictions. Unfortunately, the most obvious predictions appear false. Most Westerner's are clearly having fewer children than they could support. The rich who could afford to support as many children as their wives could bear, are clearly having many fewer children than they could support.

What is the problem? It is probably not that the theory of evolution is wrong, nor is the theory wrong that humans have drives that historically have resulted in more descendants. Instead, the problem seems to be that humans are living in an environment that is quite different from that in which they evolved. Most authors emphasize (and these authors do in places) that human evolutionary history is very long, and that most of human evolutionary history was spent as hunter-gatherers in a lifestyle that is quite different from the current industrial lifestyle (and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

even quite different from a peasant lifestyle).

Many specific personality and behavioral traits emerged during that period, but a direct attempt to maximize the number of children does not appear to have been one. Instead, males (and to a less extent females) have been led to seek copulations. This led to pregnancies. The offspring were loved and raised by the parents, but especially by the mothers. This is the basic mechanism which has kept the human race in existence.

However, since hunter-gatherer times there have been many changes. The most obvious is contraception. Effort is still devoted to sexual activities or to seeking the status that frequently leads to sexual access. However, this is no longer certain to produce children.

It is a stable of sociobiology that women have commonly sought to marry upwards, seeking to marry a man of status higher than their own. Throughout most of human history this was sensible strategy which resulted in more resources and more protection for the women. The higher status of the family resulted in the offspring having higher status. They were in turn able to attract better mates.

However, in today's conditions it appears that many educated and successful women are looking for men who are even more successful than they are. By the time these women have finished their professional educations and established their careers they are no longer young and in the prime of their fertility. The men they desire to marry are very much attracted by feminine beauty and younger women. The result is that many of these professional women either do not marry or marry only at an age too old to have a large family, or perhaps any family at all. Selection today is probably against women seeking higher status mates.

This treatise, as other sociobiological treatises, points out how optimal male and female strategies differ. Since males can produce large quantities of sperm, they can fertilize large numbers of women. Even if the odds of the child making it to adulthood or low, the cost of the sperm is so low that it is usually in the reproductive interests of the males to accept, and usually to seek, opportunities for fertilization. As a result most males find sex attractive, even if it is with a relatively undesirable partner.

In contrast, pregnancy followed by lactation in humans requires

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

considerable energy. If a female become pregnant with the child of a male who is undesirable either because he will not support the child, or because he does not have good genes, the female has lost a chance to have a child by a better male. As a result females are the more selective sex, and are usually very selective in the choice of the males they have sex with. However, this is not universal and some females follow what is called a "fast" strategy in this book. Such females are relatively unselective in who they choose to have sex with. In the modern Western economy where most children grow to maturity (a social welfare system provides support for those without fathers), the fast strategy probably results in more descendants. Thus evolution is probably favoring the fast strategy.

One can speculate about the personality traits which make women more likely to choose the family route, and to start a family early. A strong desire for sex, romance, a family, and children would make a woman more likely to marry, and to marry young. Women with less self confidence would appear more likely to choose family rather than believing they will succeed at a career, and to accept an early proposal of marriage rather than holding out for a better suitor, confidant that a better one will indeed come along. Accepting the early proposal probably leads to an earlier pregnancy, and a poorer career. Possibly selection is now for less self confidence in women.

In spite of the implausibility of asserting that humans in the modern world maximize their number of descendants, the book does show a number of ways in which evolutionary theory can be useful in economics.

Especially interesting is the chapter on "Rules, Roles, and Reputations." The basic problem tackled here is how ordered society emerges, and how does the trust that permits all the complex exchanges that make a modern economy function come to be. This is often discussed in terms of the problem called "prisoner's dilemma". Two prisoners have been arrested, and are being held without the ability to communicate with each other. If they cooperate with each other in keeping their crimes secret they come out ahead. However, each is offered a reward if he defects (i.e. tattles) on the other. The biggest gain comes from defecting when the other tries to cooperate. A smaller gain occurs if both cooperate with each other. The lowest gain (actually negative) come if

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the prisoner tries to cooperate with his partner, but his partner defects. Total gains are maximized if the two cooperate. However, each prisoner is better off defecting regardless of what his partner does. This is a model for many social situations in which it is in the interest of an individual to take an advantage of another, and not to be "nice" (or to live up to his side of bargains).

Although this book doesn't discuss it, repeated experiments have shown that humans are not as selfish as the strict logic of game theory would suggest. The question is what prevents them from acting in a purely selfish manner.

Part of the answer pointed out here is that social interactions are not now, and probably were not in the pre-historic environment one time interactions. Instead, people repeatedly interacted with each other. A sensible strategy if one will interact with someone repeatedly is tit for tat. One starts by being nice. One then one acts as they do. If they respond by being nice, you continue to be nice. If they are selfish, you are selfish. If they are also cooperative, there is a long period of cooperation. People who are non-cooperative soon find that no-one cooperates with them. While there is a potential problem if it is known that the game will end (i.e. the player will die) at a certain time, the uncertainty as to when the game will end (i.e. time of death) makes a cooperative strategy the optimal strategy if one repeatedly encounters the same people. Even when there is a chance someone will die before a favor is returned, the likelihood that his descendants will return the favor makes cooperation the best strategy.

Considerations of reputation also assist in maintaining cooperation. A sensible strategy upon meeting someone one has not previously dealt with is to rely on that person's reputation. If they have a reputation for acting in a reliable manner, it is sensible to start by cooperating with them and trusting them. Given that how others will treat you depends on your reputation, maintaining a good reputation becomes important. A worry here is that the reputation and reciprocation work best in small scale communities (such as humans evolved to live in) where you interact with the same people repeatedly. In modern urban areas, the economically optimal strategy will often be to take advantage of others, figuring either you will never deal with them again, or that your bad

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

behavior will not affect your reputation (probably because word of it will not reach the people you care about). However, when everyone is following these strategies life may be appreciably less pleasant.

A basic idea of the book is that resources can be used to produce either more low quality children, or fewer high quality children, or fewer children and more wealth for descendants (which wealth the descendants may convert to offspring). Near the end of this section there is a discussion of the tensions that arise in a society that has one group following a strategy of producing large numbers of low quality children, and another group producing fewer but higher quality children along with physical capital. The authors point out that under democracy the group producing more children will be tempted to use their votes to take wealth from the group with fewer children. The group with more wealth will be tempted to try to control the more numerous groups, buying the loyalty of enough military to offset the other groups greater numbers. This of course produces a constant temptation to abandon democracy. The best line in the book is, "All of which brings to mind the adage that politics consists of obtaining money from the wealthy and votes from the poor, by promising to protect each from the other." (p216). Unfortunately, no source is given for the adage (although in general the book is well footnoted).

Does the book succeed in its goal of setting a new foundation for economics? I am afraid not. Their summary of their reformulation is (p.221) "All that is required is to replace the utility function, used by economists to describe the ordering of individuals' preferences, by a new utility function that contains only one argument: namely the number of potential descendants in some unspecified future generation." Unfortunately, the testable implications of that formulation appear wrong. The simplest prediction, that people state as their goal to have the maximum number of descendants is clearly false. Nor do people appear to act as if this was their goal. It seems clear that people would seldom use contraception if they sought to maximize their number of descendants, yet they do.

The authors of the book themselves admit to a number of difficulties with their theory. While their theory predicts that people accumulate resources in order to leave more descendants, it is actually observed

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that as income and wealth increase, the number of children decrease. This has been shown by Lynn (1996) in a book reviewed and summarized in this journal (Miller 1997).

An obvious alternative to the theory of this book is to retain the standard economic view that humans maximize utility, but to recognize that the utility of various goods and service depends on human tastes. These tastes are in turn the product of evolution. Human tastes and drives evolved because drives that contributed to leaving descendants were selected for. We then have something that looks more like standard economics, but with a behavior affected by evolved tastes.

Evolutionary psychology then provides a theory of these tastes. The goals of our economic activities are a set of tastes that evolved over a long period of evolutionary history. The tastes that survived are those that resulted in leaving more descendants. Most sociobiological writings suggest that many of these tastes were shaped by conditions during our long hunter-gather period. Of course, current conditions are radically different from conditions a few hundred to a few thousand years ago, and these drives today may not lead to a large number of descendants. It remains true that the genes that are found in each succeeding generation are determined by who in the previous generation succeeded in reproducing (which implies staying alive long enough to reproduce). However, current conditions have not been around long enough for anything approaching equilibrium to have been achieved. Predictions based on equilibrium conditions do not work very well.

Today, in contrast to the prediction that the wealthier and higher status will have more reproductive success, the evidence is that these individuals actually have less success. That current reproductive patterns are dysgenic, i.e. those with socially valued traits, such as intelligence, are having less children. This appears to happen because the more intelligent and more conscientious have fewer unplanned pregnancies than the less intelligent and the less conscientious. It also appears that the more intelligent women have an opportunity for interesting and exciting careers, and many choose to put their efforts into these. A woman whose highest paid employment opportunity is factory work or working behind a counter is likely to find staying at home and being a mother more attractive than a woman who has an opportunity for a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

teaching job, or a similar exciting career.

It is interesting to speculate about what traits may be being selected for in the current environment beyond low intelligence. The tendency to morning sickness is probably being selected against since women who find pregnancy extremely unpleasant are less likely to voluntarily become pregnant. There may be a positive selection for love of children. Women, and to a less extent men, seem to find children very attractive and to have a positive desire for them. Till recently married women were likely to become pregnant, even if they did not particularly want to be pregnant. Now with most pregnancies being a positive choice, it is likely that the more "feminine" women with the traits that lead to desiring children are out reproducing other women. Ambition in women, while probably contributing to economic success, is probably being selected against. Hewlett (2002) has described how the desire for career success has led to many professional women postponing childbearing until they discover to their surprise that it is too late, and they are past their most fertile years.

Although the model that evolution influence tastes, and tastes influence economic activity is not the author's preferred formulation, they do recognize it, and concede that some current behaviors probably do not maximize the number of descendants. They give the classic example of our tastes for sweets and fats which directed us to good foods during the long period when food was scarce. Only in the current period of abundant food (at least in the West) have these tastes been counterproductive, causing us to become obese (and less attractive sexually), not to mention reducing our lifespan.

Today, much male effort is still devoted to seeking sex. Most non-marital sex in an age of contraception fails to result in offspring and exposes the participants to risk of venereal diseases. This is clear evidence against a theory that humans always act to maximize the number of their descendants. However, it is very plausible, as the authors note, that until very recently, non-marital sex regularly resulted in offspring.

Likewise, much male striving for status appears to contribute little to number of offspring. Indeed, it may reduce number of offspring, judging from the current inverse correlations between education or

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

income and number of children. However, the author mentions a study of males in Quebec that showed that income was not correlated with number of children. However, male income correlated with the number of potential conceptions that would have resulted if birth control was not used, especially for unmarried men. The number of potential conceptions was calculated from intercourse frequencies and partner numbers. Women's preference for higher income men seemed to contribute much to this outcome.

To this reviewer, a much better strategy than making the number of offspring a measure of utility, is to develop an evolutionary psychology and to then derive the implications of this for economics.

With such an approach evolution does have much to contribute to economics. One contribution is to recognize the importance of status. See Frank (1999) or the review article in this journal (Miller 2000). Because high status males have left more children, men seem to have built in tendency to seek status. This does not seem to have been recognized in economics. Because income is the proximate route to status in most societies, there is much effort to increase income. Most people think they will be much happier if their income is higher. Among the poorer people of the world this is probably true where the income is used to purchase goods that meet physical needs such as food, fuel, or medicines. However, once these needs are met increasing national income appears unlikely to greatly increase welfare, because there will still be large disparities in status. Income redistribution will accomplish little to increase welfare because the vast discrepancies in status will remain.

Status seeking has implications for tax policy (See Miller 1975). The usual consumption theory in economics is developed with goods that are used to satisfy physical needs such as clothes and shelter. After the theory is developed an implicit assumption is made that measures that reduce individual utility also reduce total social utility. A textbook policy conclusion is that taxes that cause prices to deviate from marginal cost reduce total social utility. This holds for individuals who are not competing with each other and where none of the goods are status goods. The usual conclusion drawn is that luxury taxes (and other taxes targeted at specific goods) are a bad idea.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Once it is realized that some goods are desired primarily for status reasons, it is realized it is possible to extract income through taxes on these goods without reducing the average utility experience by the purchasers of these goods. Consider diamond jewelry. These appear to derive their value from their expense through their ability to convey status (or make a romantic statement through their cost). Suppose a heavy tax is imposed on diamonds that doubles their prices. What had previously been a $1,000 diamond will soon convey the same prestige message as a $2,000 diamond. Those buying $2,000 diamonds after the new tax can experience the prestige of wearing a $2,000 diamond. This should be the same prestige was previously experienced before the tax by those wearing $2,000 diamonds. Hence, diamond buyers would not have not been harmed by the imposition of the tax. However, the proceeds of the tax are available for some socially useful task. In the traditional model, the utility of the tax payer is reduced by the amount of the tax. In addition there is a deadweight loss from distorting the choices of the consumers.

The above provides a powerful argument for taxing luxuries and status goods. It is also possible to use the human desire for status to motivate desired behavior at very low financial cost. The British system of knighthoods (which permits the honored individual to enjoy high status of being Sir so and so) undoubtedly motivates (or helps motivate) many good works. Yet the cost of giving someone a title is low.

Evolutionary science has much to say about the economics of sex differences. Males and females have evolved to follow different reproductive strategies and to have somewhat different goals and abilities. The book discusses these at length as might be expected since one of the authors has written a whole book on the topic (Barash and Lipton, 2001).

However, there is another implication of the idea of humans as the product of evolution that is not discussed. This is race differences. If human personalities and abilities have evolved over thousand of years, during which humans lived in a wide range of climates, it is to be expected that these regional populations will have evolved different traits. The personalities and other traits needed for survival and reproduction in a tropical climate are quite different from those needed

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in the Arctic. Until recently the populations in these different continent-size areas seldom bred with each other. Natural selection would be expected to shape the personalities and abilities of the different continental area populations differently.

The author of this review has set out some of these expectations. While both males and females may gather plant materials, eggs, and some small animals, the hunting of large game is almost always a male activity. In the tropics, there is usually adequate food that can be gathered year round and a female can gather enough food to support her and her children year rounds. However, in cold climates there is little to be gathered during the winter. Fruits, berries, seeds and tender leaves are hard to find. Frozen ground makes digging for tubers hard and snow conceals the tubers location. Easily gathered eggs are not yet available. Insects, reptiles, and small animals are often unavailable because they have hibernated or migrated. The major source of food is large game, including ungulates such as deer and reindeer. Hunting for these is usually a male role because of the upper body strength required and the need to be free of children. Pregnant women and women carrying small children (prone to cry) are likely to be especially unsuccessful as large game hunters. As a result, women and their children are dependent on male provisioning for survival during cold winters. In turn men become selected for the willingness to provide such provisioning and women for the ability to persuade men to provide it.

Male mating strategies are often described as being on a continuum between "Cad and Dad". Those on the cad side devote most of their efforts to achieving matings. Those on the dad side help to bring up the offspring they have helped to create. The choice of mating strategy appear to be affected by genetic factors, (i.e. are at least partially heritable). The strategy that produces the most offspring will increase over time. In the colder areas (Eurasia) males who do little to provision their offspring, and instead spend their resources seeking additional mating opportunities, may impregnate more women and produce more babies. However, they will have fewer of their babies grow up to produce grandchildren. The end result is fewer grandchildren. The men will be selected for a higher degree of faithfulness. The selection for aggression and risk taking will be less. Even if winning dominance fights with others

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

results in more impregnations, dying while one has children to be provisioned will likely result in fewer surviving offspring. The result will be selection for less aggression and longer lives.

In contrast, in tropical areas, even if the father does little provisioning, mothers can gather enough food to rear their children. Having multiple wives and supporting multiple families becomes feasible. Male strategies of high aggression and risk taking that increase the chances of wives result in more offspring. More details on the argument are supplied in Miller (1994).

Even after the coming of agriculture, the more northern areas adopted plough agriculture where an animal pulled the plough and a male was required to control the animal and handle the plough. This made polygamy impractical for more than a minority of the population. For some reason, possibly related to geographical isolation and disease that affected draft animals, the tropics tended to retain a horticultural system of agriculture. With horticulture, women can do most of the work and grow enough to support their children. Thus, in tropical areas, the route to male reproductive success was tilted towards actions likely to result in a maximum of impregnations.

The result is racial differences in reproductive strategies that exist even today. Negroids follow a mating strategy tilted towards multiple matings. Caucasians and Orientals tilt their strategy towards provisioning, which implies monogamy. The result is differences in family structure. These can be seen even in American cities with many more single parent families among the blacks. This goes along with higher rates of poverty.

This same differential paternal investment theory can be used to explain racial differences in intelligence. Where male provisioning is not critical, female mate choice is relatively simple. She can select for good genes as signified by health, appearance, vigor, and fighting ability. There is relatively little scope for male deception regarding traits that can be appraised by inspection. In contrast, where male provisioning is important, females (or relatives choosing for them) choose mates partially on the basis of their ability and willingness to provision. Making this choice in itself requires considerable intelligence since deductions must be made about the male's future behavior from his previous

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

behavior. Naturally, males have an incentive for deceptions about their future intentions. Males with higher intelligence have an advantage in pulling off such deceptions, and higher intelligence females have an advantage in seeing through the attempted deceptions. Because of the importance of male provisioning, women have an incentive to convince possible providers that they are the biological father of the woman's children. Doing this convincing requires intelligence, and detecting an attempted deception requires intelligence. Females try to convince males they have been faithful and/or will be faithful. Doing this convincing requires intelligence, and detecting cheating requires intelligence. The result is stronger selection for intelligence in northern climates than in southern climates.

The regional variation in evolved intelligence persists. Intelligence and latitude are correlated, and the average intelligence of nations correlates with their incomes. For more on this see Lynn and Vanhanen (2002) or the review article discussing it in this journal (Miller 2002). Within countries, intelligence and income correlate with race (Negroids are less intelligent than Caucasians or Orientals), which is to say they correlate with the climate where the original population evolved. In turn, the intelligence differences appear to explain the differences in income between the races. The best documentation that there are IQ differences between the races and that these are probably genetic is in Jensen (1998). The documentation that intelligence differences are important, as well as that they differ by race is found in Herrnstein and Murray (1999).

Thus, while evolutionary psychology clearly has implications for economics, they are probably best developed by using evolution to explain the basic human drives and differences, while retaining the traditional tools of economics.

Edward Miller

References

Barash, David P. and Judith Ever Lipton

2001 The Myth of Monogamy, Fidelity and Infidelity in Animals and People. New York, Freeman and Company (2001).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Frank, Robert H.

1999 Luxury Fever: Why Money Fails to Satisfy in an Era of Excess Free Press; (1999).

Herrnstein, Richard J., and Murray, Charles

1999 The Bell Curve: Intelligence and Class Structure in American Life , Free Press.

Hewlett, Sylvia Ann and Syliva Ann Hewlett

2002 Creating a Life: Professional Women and the Quest for Children, 2002.

Jensen, Arthur

1998 The g Factor: The Science of Mental Ability (Human Evolution, Behavior, and Intelligence), Praeger Publishers; (January 1998).

Lynn, R.

1996 *Dysgenics: Genetic Deterioration in Modern Population,* Westport: Praeger.

Lynn, Richard and Tatu Vanhanen

2002 *IQ and the Wealth of Nations* (Westport, CT: Praeger, 2002).

Miller, Edward M

1975 "Status Goods and Luxury Taxes," *American Journal of Economics and Sociology*, April 1975, 141-154.

Miller, Edward M.

1997 "Income, Intelligence, Social Class, and Fertility," *Journal of Social, Political, and Economic Studies,* Vol. 22 (Spring 1997) No 1, 99-121.

Miller, Edward M.

2000 "Luxury and Status: Why Money Fails to Satisfy in an Era of Excess," *Journal of Social, Political, and Economic Studies*, Vol. 25 (Spring 2000) No. 1, 99-106.

Miller, Edward M.

2002 "Differential Intelligence and National Income," *Journal of Social, Political, and Economic Studies*, Vol. 27 (Winter 2002) No. 4, 513-522.

Miller, Edward M.

1998 "Why Race Matters: Race Differences and What They Mean" *Journal of Social, Political, and Economic Studies*, Vol. 23 (Summer, 1998) No. 2, 360-366.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

In Memoriam: Garrett Hardin 1915-2003

We deeply regret to record the death of Professor Garrett Hardin, who served for many years as a member of the editorial advisory board of the *Journal of Social, Political and Economic Studies.*

Born in 1915, just one year after Europe had entered into the devastating fratricidal conflict known as World War I, during his lifetime Garrett Hardin made epic contributions to problems of population and the environment. Trained as a biologist at the University of Chicago and Stanford University, he taught ecology at the University of California, Santa Barbara, for thirty years, as well as holding teaching positions at UC Berkeley, Cornell and Drew Universities and various other eminent American educational centers.

Garrett Hardin gained world renown for his 1968 essay, *The Tragedy of the Commons*, first published in Science, 162, but subsequently reprinted in more than a hundred anthologies. Stressing the problem of over-population and consequent environmental decay, "The Tragedy of the Commons" focused attention on the threat to Mankind and all other advanced living organisms arising from excessive reproduction amongst the human species. From that time onwards Hardin was widely accepted as a prominent authority on ecological and demographic problems, and their impact on economic, political and social affairs.

Many of his subsequent writings concentrated on the problem of uncontrolled mass migration, and the tendency of the contemporary generation to think only in terms of the welfare of the living, while giving little or no thought to the welfare of the generations of humanity still to come. This concern was well presented in *Living Within Limits: Ecology, Economics and Population Taboos* (Oxford University Press, 1993), *Stalking the Wild Taboo* (Social Science Press, 1996), and *The Ostrich Factor: Our Population Myopia*, (Oxford University Press, 1999). In all, Dr. Hardin published over 350 articles and 27 books, with sales of the latter already exceeding 700,000 copies prior to his death.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Great Sex Divide

By Glenn Wilson

Entertainingly written with a broad sense of humor, a leading psychiatrist refutes feminist theories and shows that men and women have reciprocal roles in society, based on identified psychological differences.

Sex and Evolution;
Evidence from Human Biology;
Evidence from Animals and other Cultures;
Can the Differences be Suppressed?;
Sexual Anomalies and Difficulties;
Talent & Achievement;
Aggression and Crime;
Social Forces & the Sex War.

ISBN 1-878465-04-X,
Paperback, 160 pages

$20.00
Postage $3.50 (USA) $4.50 (foreign)
Visa and Mastercard Welcome

Scott-Townsend Publishers
socecon@aol.com
P.O. Box 34070, N.W., Washington, D.C. 20043
TEL:(202) 371-2700 FAX:(202) 371-1523

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE INDO-EUROPEANS

Professor Jean Haudry

of the University of Lyons, France, surveys our contemporary knowledge about the Indo-Europeans:

Who they were, where they lived, their language, archaeology, appearance, character and mentality. He examines their political institutions, family life and social system, legal heritage and religious beliefs.

Including a useful synopsis of common Indo-European words in various languages, an extensive bibliography and an invaluable of sources.

Softback. 166 pages.
1-878465-28-7

$20.00 – Postage $3.50 (USA) $5.50 (foreign)

Scott-Townsend Publishers
P.O. Box 34070, N.W., Washington, D.C. 20043
socecon@aol.com TEL:(202) 371-2700 FAX:(202) 371-1523

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED